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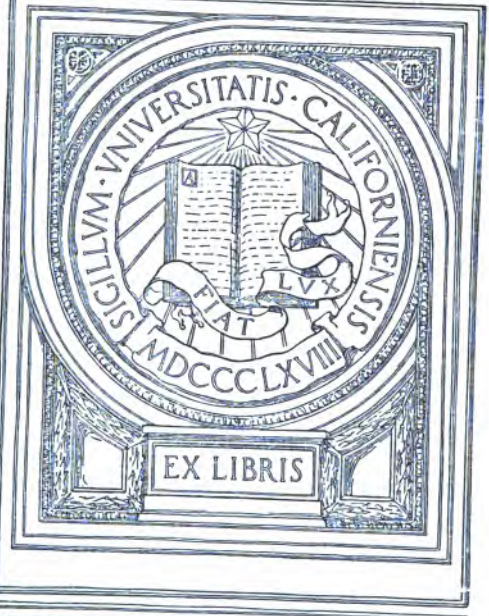
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AMERICA and the NEW EPOCH

CHARLES P. STEINMETZ

IN MEMORIAM
John Galen Howard
1864-1931



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GIFT

AMERICA AND THE NEW EPOCH

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INTRODUCTION

THE following does not represent my sentiments, but gives the conclusions drawn from the historical facts which of necessity follow from the preceding causes, regardless whether we like them or dislike them.

Sentiment has nothing to do with, can exert no influence on, the phenomena of nature, on the workings of nature's laws, whether it be the cosmic laws which let winter follow summer, regardless whether we wish it or not, or the economic laws which plunged the world into war with England and Germany as protagonists, irrespective whether we are pacificists or militarists, pro-German or pro-English.

In judging on the meaning of historical facts, on events which we see occurring before our eyes, we must entirely set aside our sentiments and our wishes, and, like in any physical or engineering problem, draw the conclusions which follow from the premises, whether they

are agreeable or not. If we do so, and record the facts and search back to their causes, we very soon find that there is nothing in this world which we can condemn, but that the attitude of mind of condemning one thing, approving another, is illogical, as bringing the personal element of our egotism into the chain of cause and effect. If we do so, we have disfranchised ourselves from the community of reasoning intellects, and then we assuredly will be led astray, and our conclusions will be prejudiced and wrong. But if we set aside our personal relations and our personal interests, we find that nothing that is or that has happened can be condemned, but everything is the necessary result of causes which have brought it about, and back of these causes we find other causes and so by the chain of cause and effect everything that is is traced beyond the personal element of the actors taking part in the event.

Thus, if the reader does not like many of the statements given in the following, I also do not like many of the conclusions which I had to draw; but, nevertheless, they are and remain the conclusions which follow from the physical, economic, and social facts, and I be-

lieve I had an unusual opportunity of observation from all sides of the politico-industrial structure of to-day.

Born and educated in Germany, of German and Polish descent, I have lived most of my life in America, as an American citizen. The Germany of my recollection is the agricultural Germany of a bygone age, but the industrial Germany of to-day has remained a foreign country to me, while I have numerous good friends in England.

When I came to this country, nearly a generation ago, everything was strange to me, thus impressed itself on my memory far more strongly than it would on a native who had grown up under these conditions, and, therefore, in comparing the conditions of our country of to-day with those of a generation ago, I can see the enormous changes which have taken place.

As socialist, I took an active part in the ten years' political war of the German social democracy against Bismarck, succeeded in escaping to Switzerland, when the Government tried to arrest me, and, after continuing my studies there, came to America. I have always retained my interest in public welfare and politics, have held and am holding political office in my home

town, and am still dues-paying member of the Socialist party organization.

When I landed at Castle Garden, from the steerage of a French liner, I had ten dollars and no job, and could speak no English. Now, personally I have no fault to find with existing society; it has given me everything I wanted; I have been successful professionally, in engineering, and have every reason to be personally satisfied, and the only criticism which I can make is that I would far more enjoy my advantages if I knew that everybody else could enjoy the same.

For several years I was employed by a small manufacturer; then for nearly a quarter of a century with a huge manufacturing corporation, and helped make it what it is to-day. Thus I have seen the working of small individualistic production—where every cent increase of wages appears so much out of the pockets of the owner—and of corporate production, and have realized, from my acquaintance with the inside workings of numerous large corporations, that the industrial corporation is not the greedy monster of popular misconception, bent only on exploitation, and have most decidedly come to the conclusion that, even as crude and

undeveloped as the industrial corporation of to-day still is in its social activities, if I were an unknown and unimportant employee I would far rather take my chances with the impersonal, huge industrial corporation than with the most well-meaning individual employer.

CHARLES P. STEINMETZ.

August, 1916.

AMERICA AND THE NEW EPOCH

AMERICA AND THE NEW EPOCH

I

ERAS IN THE WORLD'S HISTORY

WHILE this is being written the world's war is entering its third year, and no end to the catastrophe is yet in sight.

All attempts to explain the cause of the disaster have failed: the assassination of the Austrian Crown Prince, the violation of Belgium's neutrality, Slavish expansion, Prussian militarism, British greed alike do not explain.

The assassination of the Austrian Crown Prince may have justified a punitive expedition against Servia, but not that Russia, England, and France come to the assistance of the assassins.

The violation of the neutrality of Belgium

does not appear acceptable to an American as explanation of England's entrance into the war. It would imply that the American's moral sense is so inferior to that of the Englishman that the latter went to war for a moral issue, while beyond mere academic condemnation not a single voice was raised in America for war in defense of Belgium; nay, such obligation was expressly disclaimed.

The battle lines between Slav and German have been wavering to and fro in the East for over fifteen centuries without kindling a world's war, and while the old fight for the ground, between Slav and German, would flare up with renewed intensity as incident of a world's war, it cannot be the cause.

Prussian militarism and British greed—or, in the language of the neutral mind, German organization and England's financial interests—as causes of the war explain nothing, but leave the questions: What created Germany's powerful centralized organization? Why were England's financial interests threatened by Germany?

With the failure of finding a satisfactory cause for the war we are forced to realize that we stand before one of those inevitable catastrophes in the history of the human race, that

we are passing through one of those historical epochs which have changed the organization of human society, an epoch like that which, beginning in the August night of 1789, with the declaration of the rights of man, *liberté, égalité, fraternité,* and ending on the battle-field of Waterloo, changed the world from feudalism to industrial capitalism, or that earlier epoch of the migration of the German tribes, which buried the classic civilization of ancient times under the ruins of the Roman Empire and established the feudal society of the Middle Ages, or that still earlier epoch before the dawn of history when the Aryan migration ended the neolithic age and laid the foundation of the classic civilization.

We know nothing about the social condition before the Aryan migration. When the Aryans came they came as conquerors, the conquered autochthons became rightless slaves, Helots, laboring for the conqueror-citizens as masters, and so all ancient civilization, Egypt and Babylon, Hellas and the Macedonian empires, and finally their culmination in the Roman Empire, were based on slavery—a rightless class of slaves doing all the work, a citizen class supported by slave labor and thus having its time

free for war, administration, or art, whatever the national character and inclination, and a class of free men without rights and power, despised alike by slave and slave-owner, but considering themselves vastly above the slaves, and serving the masters as slave-drivers, managers, etc. (*perioikoi—libertini*—the "poor white trash" of our own classic civilization of the South).

In the classic era art rose to heights never approached since, and in the Roman Empire was accomplished what the world has never experienced since—universal peace for several centuries.

But the classic era finally came to an end, not by overthrow, but by internal decay: the Roman Empire, based on the labor of the conquered nations, failed to conserve the source of its strength, the people which it exploited. So nation after nation was exhausted, while race suicide destroyed the ruling classes. So the purple passed from Italy to France; Spain, the Balkan nations, Africa, and Asia, even far-away England supplied emperors; but hardly any of the later Roman emperors was of Roman descent.

In the second great epoch of human history, when the "barbarians" finally destroyed the

Roman Empire and founded their own nations, it was an empty shell which they destroyed—the life of the ancient civilization had long gone out.

The state of the barbarians which overran the Roman Empire was the tribal organization, an aristocratic democracy; that is, a nation of free and equal citizens, composed of families differing more or less in social standing, by their history, their prowess, influence, etc., and led, when leadership appeared necessary, by some prominent male member of the most influential leading family, but accepting the leadership voluntarily, without recognizing any right to rule.

Such was the foundation on which later feudalism was built.

When these tribes overran the Roman Empire, their relations to the conquered "Romans" necessarily were very different from those of the Aryans to their predecessors. There could be no question of slavery. The German barbarians had for so many generations obeyed the orders of the Roman Empire, as servants, auxiliaries, and mercenaries, had lived so long under the glamour of the Roman Empire, that when the relations reversed, and the barbarians became the masters, it was inconceivable for

them to make slaves out of their former masters, but these gradually merged into and modified the barbarian tribal organization; the masses became the tillers of the soil, the educated classes acquired a position within and still outside of the tribal organization, as the "clergy," and so the feudal society of the Middle Ages was born, by the amalgamation of the conquered nations with the conquering German barbarians.

Feudalism inherently recognized no slavery, but all people had some rights, though different according to their occupation, their station in society, from the tiller of the land, who was bound to the soil, to the lord of the manor, who was supported by the tribute—the "tenth" —of the former, but who in his turn had to protect the former from enemies, and had to do service to his overlord.

A permanent classification of society was thus established, with the three main classes: the common people, or tillers of the soil and artisans; the nobility, or warrior class; and the clergy, or educated class. Each class was subdivided again into numerous grades, from the county squire to the duke and king, and the "classes" of feudal society never were "castes,"

as to-day in India, but there was always the possibility of rising from one class into a higher one, however difficult this may have been some time in the later Middle Ages, and there was always the danger of dropping down into a lower class.

Feudalism was fairly satisfactory as long as it remained a commensal organism—that is, all classes gave and received; the tiller of the soil received protection from the feudal lord in exchange for his tribute of a part of his harvest, the feudal lord gave protection to the tiller of the soil in exchange for the tribute received, and gave military service to his overlord in exchange for protection against his enemies; the clergy took charge of the intellectual and religious life, etc.

But feudalism was an organization adapted to an essentially agricultural society, and there was no place within it for industry, manufacture, and commerce, and when, in the later Middle Ages, arts and industries developed in the cities, when the crusades and later on the African, Indian, and American discoveries developed commerce, conditions arose with which the feudal organization of society could not cope.

Thus in the industrial cities of central Europe, of Italy, and later England, the development proceeded away from feudalism, toward a form of society very much akin to that of the later individualistic era after the French Revolution. The feudal city governments—the patrician families—were overthrown by the industrial organization of artisans and merchants, the guilds, and democratic industrial governments established. Powerful free cities and federations of free cities, as the Hansa, arose, broke away from feudalism—especially when the invention of gunpowder made the armored knight helpless—and started a new era.

In England, protected by the ocean, this reorganization of society, although starting much later than on the Continent, survived and gradually merged by evolution into the individualistic age.

This is England's strength, as well as her weakness. Derived by gradual evolution through centuries, the individualistic industrial age is far deeper rooted in the national character than in nations which have more recently emerged from feudalism. But, on the other hand, numerous remnants of feudalism have survived, such as the respect for lords, the reverence for

titles, etc., which have been swept away in nations where the transition has been of more revolutionary character.

On the Continent, feudalism once more triumphed over the industrial city.

With increasing subdivision and specialization of classes, feudalism finally reached its last development in the absolute monarchy. The "retainers" of the lord of the manor became the army of mercenaries of the duke or king. The king thus became independent of the voluntary service of the feudal lords, the noblemen. Against the army of mercenaries, maintained by the ruler, the individual lord or the industrial city had little chance, and were reduced to submission.

In the perpetual wars between the mercenary armies maintained by the more powerful rulers, culminating in the Thirty Years' War, central Europe was laid waste, the beginning of the new industrial era wiped out with the destruction of the prosperity of the cities, and the absolute feudal monarchy emerged, as exemplified in the "grand monarch," Louis XIV. of France; the monarch was the state—*L'état c'est moi*—but beneath him there was an infinite graduation from the highest to the lowest

nobility, parallel thereto the clergy, and far beneath the rightless toiling masses.

But in this development of the absolute monarchy based on mercenary armies, feudalism had ceased to be commensal, and therewith forfeited its right of existence. The armies of mercenaries had made the ruler independent of the good-will of his subjects. The enormous cost of the large armies of mercenaries required in the perpetual wars, the cost of maintaining the estate of the "grand monarch," the need of attaching the nobility to the court by sharing the spoils with them, all this meant continuously increasing exploitation of the people, and for the masses it was no more, as in the early days of feudalism, exchange of protection for a part of the product of their work, but it was exploitation by everybody, ceaseless toil and no hope, and to the masses the feudal society of the "grand monarch" offered nothing. Therefore they had no interest in the maintenance of this society, their lot could not become worse by any overthrow of society, and all their interests thus were against society, and became revolutionary.

When incompetent and weak rulers followed the "grand monarch," the storm broke, and in

the great revolution feudalism was submerged and France gave the world a new era, that of individualism, or industrial capitalism, as we may call it by its present-day characteristics.

Other developments contributed to the catastrophic change in the epoch of the French Revolution, which overthrew feudalism.

The individualism of the industrial cities had been vanquished in the wars of the mercenary armies, but not entirely extinguished, and from the cities gradually permeated all society.

The steadily deteriorating condition of the masses, and parallel thereto the degeneration of the ruling classes, created an increasing disgust with the existing form of society among the better elements of the privileged classes; we must realize that in the declaration of the rights of man, which started the revolution, the nobility and clergy voluntarily gave up their privileges over the *tiers état.*

The invention of the steam-engine had come and had begun to revolutionize society; commerce and trade rose to increasing power; England had solved the problem of feudalism by beheading one king and giving the walking-papers to the next one who had started to play the "grand monarch," and had brought a king from

abroad, with the implied understanding that he would follow his predecessor if he took himself too seriously; and England was gradually beginning to emerge as an industrial nation.

The American colonies had revolted and set up a democracy, declaiming that "all men are born free and equal."

Prussia, under Frederic II., had established compulsory education, had educated all her subjects, and then had withheld political rights from them.

The philosophy of Voltaire and his contemporaries had with destructive logic attacked all accepted standards, from royalty to religion, and shattered the self-confidence of the defenders of established order, and the renaissance of literature had spread the modern ideas through wide circles.

II

THE EPOCH OF THE FRENCH REVOLUTION

THE fire which consumed feudalism was kindled in the French parliament, called together when the feudal monarchy, bankrupt by inefficiency and extravagance, had arrived at the end of its rope. The declaration of the rights of man, made in the August night of 1789, ranges with the Magna Charta and our Declaration of Independence as one of the greatest documents of human history.

It wiped out all privilege.

It demanded the freedom of the fullest individual development for all human beings—*liberté.*

It established equal rights before the law for all—*égalité.*

The last demand, brotherhood of man, *fraternité,* was promptly forgotten for another century.

The great revolution was bloodless, the privi-

leged classes voluntarily resigned their special rights.

This was the beginning of the great epoch which ushered in the new era of modern society. It almost was the end. Immediately all the enemies of progress, all the powers of darkness and reaction, sprang to arms against France, the promulgator and defender of the new idea. Internal enemies arose everywhere in France, even the royal court conspired with the country's enemies. Europe's greatest military power, the Prussian army, invaded France in the north; the Austrian and German army in the south; rebellions flared up; never was a nation in so desperate condition. Even England, though already on the path toward the new era, joined the enemies of progress, and consistently throughout the entire epoch fought the battle of feudalism against the new era of individualism. It was a full generation later, when the unholy alliance of Austria, Russia, and Prussia had again welded the world into the fetters of feudalism, that England finally woke up and made the first breach in the chain by sinking the Turkish fleet at Navarino and so setting the Greeks free, while the new nation of the Western Hemisphere threw down the gant-

let to feudalism by the declaration of the Monroe Doctrine.

But in the early days of the epoch it was France alone against the world. Then France showed that a nation, inspired by a single great and progressive idea, can defy the world and conquer. The guillotine cleared France from traitors and internal enemies. The Prussian army was ignominiously defeated in the Argonnes, the Austrian army vanquished; in the Gironde the rebels hunted down; Toulon fell and was punished for making common cause with the country's enemies, and soon the French armies rolled over central Europe, bringing freedom and equal rights to the nations. Prussia and Austria were humiliated, and under the dictator Napoleon the lesson taught to the world that there is nothing sacred or superior in royalty, and kings and rulers were made and unmade at the whim of the country lawyer's son, the Emperor Napoleon; and some of Europe's most aristocratic rulers of to-day are the descendants of common folk, put on the throne by the country lawyer's son.

The Russian winter—not the Russian army—broke the spell of victory of France, and on the

battle-field of Waterloo finally the Prussian army under Bluecher saved the British army and turned defeat into victory, and France was conquered.

But not so the new idea. The defeat of France had become possible only by the adoption of the new idea of liberty and individualism, for which France had fought. After the defeat of Jena, when Prussia was at its lowest depths, Stein, Scharnhorst, Gneisenau had reorganized the Prussian nation, introduced the new ideas, and it was a new Prussia, the Prussia of the new era, which rose and defeated Napoleon.

Thus, while France was defeated, the ideas which France had given to the world conquered.

It is true, after Waterloo a temporary reaction set in. In unholy alliance, Austria, Russia, and Prussia, together with the restored Bourbon France, tried to re-establish feudalism. But in 1830 France broke away, under the bourgeois king, Louis Philippe, and in 1848 the revolution swept over Europe and swept away the last remnant of feudalism. Except in Prussia. There the revolution was a draw, and feudalism kept fighting on until the great par-

liamentary fight in the early 60's, when year after year the Prussian parliament refused the Government all budget appropriations, while the monarch disregarded the constitution and continued to govern without parliament.

The controversy was finally compromised after the victorious war of Prussia against Austria, and the formation of the North German Customs Union in 1866. The entrance of the other German states, in which capitalism was further advanced in power than in Prussia, induced Bismarck to make concessions, while on the other side the beginning danger of the social democracy made capitalism more inclined toward compromise with the monarchical government.

It is important to realize this historical development as it laid the foundation of the organization which brought about the present world's war.

While individualism, in the form of industrial capitalism, has never completely conquered in Prussian Germany, it has early conquered and ruled supremely in England.

The history of the world is the history of industry, arts, and commerce, and war and revolution, conquest and defeat, are merely the out-

ward appearances, the signs or mark-stones of the true history of the human race, which is made on the fields and farms, in the factories and workshops, in the business houses and shipping-offices.

III

THE INDIVIDUALISTIC ERA: FROM COMPETITION TO CO-OPERATION

THE epoch of the French Revolution, ushered in by the declaration of the *rights of man—liberté, égalité, fraternité*—struck the fetters of feudalism from the human race, and gave free play to the intelligence, energy, and initiative of all the millions of human beings. The development of the steam-engine, of steamship and locomotive, and later of telegraph, telephone, and electric power, forged the tools; the free and unrestrained competition, which is the industrial expression of the individualistic age, gave the driving force which led to the great industrial development of the last century. The result was that the last century has seen a greater progress of mankind than all the previous centuries together.

Competition thus became the industrial expression of the individualistic era.

Under the competitive system of industrial organization—"capitalistic society," as it is often called—the means of production, transportation, and distribution of commodities have increased enormously and apparently without limit.

As the result, the standard of living of mankind steadily rose, and things which in one generation were a luxury available only to a few, became a common necessity to the next generation.

The increased productivity cheapened the cost and so stimulated consumption, and this again increased the production, led to further improvements, cheapening the cost and increasing the consumption. The competitive age thus has given to the masses of people a standard of living superior to that of the privileged classes in the feudal age.

But in spite of the enormous and very often artificially stimulated increase of consumption of commodities, a check had to come in the wild race between increasing production and increasing consumption. The ability of consumption, and with it the demand for the commodities of industrial production, is not capable of unlimited increase, and therefore

finally a time came when the means of production of commodities increased beyond the demand possible under existing conditions.

England was the first nation to benefit from the competitive organization of society. While all Europe was plunged into the Napoleonic wars, England, protected by the ocean, organized its trade and industries. Therefore England was the first nation in which the means of production developed beyond the possible demand. Temporarily the problem was solved by supplying the markets of the world, and thereby taking care of the rapidly increasing excess of its producing facilities over its own demand. Thus England became a great exporting nation, and by the profits of its foreign trade laid the foundation of its later financial power.

But gradually the other nations caught up. So Germany, once—still within the memory of the present generation—an industrial dependency of England, became independent, then became England's competitor in the markets of the world, and to-day China is about the only large remaining outlet for the over-production of the industrial nations. Therefore the great interest of the nations in the "opening up of

China," and their mad scramble to get control of its markets.

America is in a peculiar and very fortunate position. As a new country with a vast capital in natural resources, and with a relatively low population density, but a rapidly growing population, it offered great opportunities of development. That part of the United States which is least favored by nature, but which was settled first—the New England States—felt the pinch of the industrial problem already in the middle of the nineteenth century, but the problem was solved, at least temporarily, by forcibly excluding foreign competition from the United States, and so reserving the markets of the South and of the West to the industrial New England States. This was the issue on which the Civil War was fought; the abolishment of slavery was merely an incident of this economic issue. The Civil War thus was an economic war, just as every great war has been; it consolidated the United States industrially as one nation, while the Revolutionary War had made it politically one nation.

The great industrial development of our country in the last generation was the result.

Finally even in the United States the rapidly

increasing means of production have crept up to and beyond the means of possible consumption. This occurred later than in any other civilized nation, for various reasons. The rapidly increasing population meant an abnormal increase of demand. The development of the vast possibilities of the country in farming, mining, transportation, etc., absorbed a vast amount of industrial products, and offered employment and means of living to millions, and this increase of population again increased the possible consumption. The vast natural resources made it possible to use what we had not produced, and thereby led to an average consumption, an average standard of living, beyond that of any other country. This is a rather serious problem, as it means that our nation has largely been living on its capital and not on its income, and thereby acquired habits of the spendthrift. But our natural resources are greatly depleted, and when it will not be possible any more to cut down for lumber the trees which we have not planted, to take out from the soil as crops what we have not put in, but when every tree which we cut down will have to be planted and raised, as in other countries, when we shall have to put into the

soil as fertilizer whatever we take out as crops, then under the present industrial organization of our country we will not be able to maintain our present standard of living.

All these features together have created an abnormal increase of consuming capacity of our nation, and so it was only in the last decades that the means of possible production have begun to increase beyond the possible demand for consumption and the industrial problem has become urgent.

This problem had not been expected in the early days of the competitive system of society, and while to-day most people throughout the civilized world feel that there is a hitch somewhere in the working of free competition, most people do not yet clearly realize where and why competition failed to bring about that stable balance between production and consumption which was the orthodox idea of the economists of the past, in the early days of the individualistic era, and which is still the conception of many of those who, far from the work of the world under the student lamp and in the chairs of our universities, ponder over the problems of the nation.

The conception of competition as a benevo-

lent force in the industrial progress was based upon the theory that by competition between the producers prices would be lowered down to near the cost of production, stopping just as much above the cost of production as is necessary to give a fair profit.

The fallacy involved in this reasoning is the neglect of the economic law that it is more economical to operate a business or a factory at a loss than it is to have it stand idle; because to have an industry, a factory, stand idle, involves the continuous loss in fixed charges.

The cost of production, whether it be that of a few quarts of milk which a farmer peddles through a country town, or of the most intricate machinery, or of common necessities, as shoes, clothing, or of the transportation and distribution of goods, or of the electric energy supply of a city, always consists of two parts, a fixed cost and a proportionate cost. The former comprises all those expenses which go on whether anything is produced or the production stopped by lack of demand for the product. The latter represents that part of the cost which is proportional to the amount of commodity produced. Fixed cost, for instance,

is the interest on the investment. Whether the factory is working full capacity, or only part of its capacity, or standing entirely idle, the interest charges continue the same. Proportionate cost, for instance, is that of raw materials; if we produce twice as much, twice as much material is needed. If the production ceases, the consumption of raw material ceases. Possibly, in bygone days of simplest individual production, the fixed cost may have been negligible; if the shoemaker in the earliest Colonial days did not find enough work in making shoes, he could probably do some harness-making, or some carpenter work in his shop, and so earn his living. But if to-day the demand for shoes falls off and the shoe-factory has to shut down, the interest on the investment represented by the factory goes on just the same; the depreciation of machinery, of buildings, etc., continues; some maintenance is still required—that is, a considerable part of the cost of production continues even if the production has stopped. This part of the cost of production, which is called the fixed cost, as it is independent of the amount of the product, and which continues even if there is no production, varies from a few per cent. in some simple opera-

tions up to over 90 per cent. of the total cost of the product, in some hydro-electric power plants.

The result is that unlimited competition, as soon as the ability of producing has increased beyond the available demand for the product, forces the price down not merely to the value giving a fair profit above the cost of production, as dreamt by the early economists, but the dropping of price stops only there, where it would become cheaper to stop production than to produce at a loss—that is, where the loss in production exceeds the loss of having the industry stand idle: *the limitation of price, forced by free competition, is below the cost of production,* and as the result the level reached by free industrial competition is an unstable condition, a condition of production at a loss, which can exist and continue for a limited time only, but finally ends in the bankruptcy of many of the producers, in serious losses to others, and in wide-spread destruction of values.

Consider as an illustration the case of a very large industrial power plant: for every $100 invested in the plant the annual income may be $50. These $50 are disposed of as follows:

Labor	$ 9
Fuel	6
Other materials and supplies	11
Taxes	3
Depreciation	6
Interest	5
Dividends	6
Surplus	4

Of these expenses, all the fuel, most of the labor and materials, and a part of the depreciation are proportionate costs—that is, costs which vary with the amount of commodity produced, and would, therefore, vanish if, due to competition, the production should cease.

Taxes and interest, however, most of the depreciation, and a small part of labor and of materials are fixed costs—that is, continue regardless whether the plant is operating full capacity, or at reduced output, or entirely standing idle. (Dividends should in reality be included in fixed cost, as without dividends no capital could be induced to invest, and the plant could, therefore, not exist. They will, however, be omitted, as temporarily, for some years, an industrial organization can continue without dividends. Surplus represents the amount of income set aside for times when the income falls below the cost of production—that is, is an insurance against temporary losses.)

The distribution of proportionate cost and of fixed cost per $100 capital invested in the plant thus would be:

At an annual income of $50:

	Proportionate Cost	Fixed Cost
Labor	$ 8	$1
Fuel	6	..
Other materials	10	1
Taxes	..	3
Depreciation	2	4
Interest	..	5
Total	$26	$14
Grand total	$40	

leaving $10 for dividends and surplus.

If the production were entirely stopped, the $26 proportionate cost, per $100 invested, would be saved, but the $14 fixed cost, per $100 of capital invested, would continue, as a loss or impairment of capital, of 14 per cent. per year, and thus, in $\frac{100}{14} = 7$ years, the entire capital would be wiped out by the losses, and lost.

Thus it is economically not possible to shut down the plant and wait until there is again a demand for the commodity.

Suppose now, to maintain the plant in operation, the price of the commodity were reduced from $50 to $33.

At $40 total cost of production, this would

give an annual loss of \$40−\$33 = \$7, or 7 per cent. of the invested capital, thus would wipe out the capital of the company in $\frac{100}{7} = 14$ years, and be destructive. Nevertheless, rather than close down entirely and incur the annual loss of 14 per cent. of the invested capital, it would be preferable, when forced by competition, to lower the price of the commodity below cost, to \$33, as the loss thereby incurred, of 7 per cent., is less than the loss in standing idle.

For the different prices of the commodity, per \$100 of investment, the profits and the losses, and the time until the capital invested in the plant is wiped out by the losses, would then be:

Price of Commodity; Per \$100 of Invested Capital	Dividends and Surplus Per Cent.	Loss Per Cent.	Capital Wiped Out In
\$50	10	..	
45	5	..	
40	0	0	
35	..	5	20 years
30	..	10	10 "
26	..	14	7 "
25	..	15	6.7 "
20	..	20	5 "
Shut down:	..	14	7 "

Thus, when forced by unrestricted competition it would be more economical to operate, selling the product below cost, at any loss up to

14 per cent.—although this would inevitably ruin the company—rather than close down and accept the still greater loss of the entire fixed cost.

But operation at a loss, though not so rapidly destructive as shut down, still means financial disaster, and when forced by unrestricted competition thus ends in ruin.

We have seen, and still see all around us, the destruction of producers wrought by competition, the waste of intellectual and physical values incident thereto, and the resultant damage to the industry, and with it to society.

The failure of the industrial system of competition to come up to the expectations of the early days thus was due to the failure of recognizing in the theory of competition the bearing of the fixed cost of production on the level reached by competitive production.

The natural result of this industrial law is that free competition cannot continue, but that intelligent people in charge of the industries all over the world—whether they be the milkmen or ice-dealers supplying a small country town, or the presidents of rolling-mills or railroads—have to come together and stop unlimited competition before the level of destruction is reached.

This led to *co-operation* as the industrial force which is taking the place of competition.

Many people in our country, in all walks of life, economists and statesmen, even, do not yet realize the working of this economic law and its consequence.

They see competition vanishing before co-operation or consolidation, and, still dreaming of competition as the beneficent force which it was in the early days of industrial development, endeavor to restore competition. Therefore, you see all the attempts to resurrect to life a dead issue by legal enactments, by trying to break up the corporations, enforcing competition by law, etc. All this is contrary to the economic laws underlying industrial production, and is therefore helpless, and must remain a failure. No legal enactment can change this, but the laws of nature are above man-made laws, and political law violating the laws of nature is void. You may destroy the industries by legal interference, and plunge the nation in disaster and chaos, but you cannot restore competition. It is dead, just as dead as the feudalism of the Middle Ages. Co-operation is taking its place.

This, here in America, many of our leaders

of thought in the theoretical field, in our universities, in our political offices, have not realized, neither do the mass of the people realize it yet, and consequently they mistake the effect for the cause. They imagine industrial consolidation is killing competition, and try to stop consolidation by breaking up the corporations, while in reality the death of competition as a beneficent industrial force is the cause of consolidation, has led to the corporation as the only means of industrial production. Thus, not the "trusts" are killing competition, but the failure of competition is the cause of industrial consolidation, of the corporations.

Thus, wherever outside forces did not interfere, the inevitable, because natural, industrial development in the individualistic era is, from small production by numerous independent individual producers—in the days before Lincoln, in our country—to a smaller number of larger industrial establishments still personally owned and managed. Then by consolidation of the stronger, and elimination of the weaker ones, came the formation of industrial corporations, each representing the combination of numerous individual producers. In the beginning these corporations were still largely domi-

nated by individuals, their organizers, but gradually the personal element stepped into the background and vanished, the number of corporations decreased and their size increased until finally the entire industry was organized into a moderate number of very large corporations, often still in fierce and destructive competition with one another. Of necessity then followed the formation of a co-operative arrangement between the corporations dominating the industry, for self-preservation against the general destruction inevitable by unrestrained competition. Sometimes it was the formation of a single corporation controlling the entire industry; more frequently one large corporation controlling a large part of the industry, and a number of smaller corporations, which, while financially and administratively independent, by tacit understanding accepted the prices fixed by the dominating corporation. Usually, however, with a number of large corporations in the field, the destructive competition was eliminated by agreements limiting production to that conforming with the demand, and agreeing upon prices maintaining a fair margin of profit. Such co-operative agreements varied in nature from practical consolidation

into a trust or syndicate to a mere gentleman's agreement.

Such a co-operative agreement on prices and production is necessary if the industry shall survive and the nation escape industrial disaster, and in countries in which an intelligent centralized government looked after the welfare of the nation, as in Germany, such elimination of competition and consolidation for the common good has been encouraged and assisted, and often enforced by the Government, while in countries in which the Government is entirely under the control of capitalism and has no independent power, as in England, the Government has stood aside and allowed the corporations to organize more or less efficiently. Only in our country has the national Government, impelled by the remnants of the small individual producers, the still powerful middle-class interests, attempted to outlaw the co-operation of corporations and by political laws to legislate against economic laws, without realizing that economic laws are laws of nature, are inevitable, and their defiance, whether by an individual or by a nation, means self-destruction.

There was, however, some excuse for the opposition against the co-operation of the corpo-

rations controlling the industry, in the danger to the public welfare which the power of such co-operative organization may involve in a nation like ours, which has no stable, permanent, and therefore responsible Government, but in which the Government is still largely dominated by the principle of rotation in office for the distribution of spoils. In the control of an industry by the co-operation of the industrial corporations in controlling production and prices, it is possible to limit production below the demand, and so "corner" the product, and to raise the prices beyond those giving a fair return on the legitimate investment of capital. Then the combination becomes a national menace, especially where foreign competition does not act as a check, as in free-trade England. Sometimes such exploitation of the public may be premeditated, but more often it is the result of the inefficiency of production, and the latter is the more serious side of the problem, as it is more difficult to deal with than a mere attempt of extortion.

The modern corporation, which is the present expression of the co-operative system of industrial organization, is such a relatively new development that its structure is still crude and

defective in many ways. Its activities are fourfold—financial, administrative, technical, and social. As capital is the foundation of our present industrial system, financial consolidation is the first step of industrial co-operation. Administrative consolidation and reorganization must follow, and then technical or engineering reorganization, to reap the benefit of industrial co-operation. The technical side of the corporation is the purpose of its existence; manufacture, transportation, etc., are technical or engineering problems, and the administrative and financial activities, therefore, merely means to accomplish the legitimate object of the corporation—production. Therefore, where the progress stops with administrative consolidation and does not reach engineering reorganization for the higher efficiency made possible thereby, the results are disappointing, and dissatisfaction of the public follows and sooner or later makes itself felt by hostile attitude toward the corporation. Where the work has stopped with the financial consolidation and does not reach administrative reorganization, waste and extravagance and financial disaster are liable to result.

It cannot be denied that a considerable part

of the public hostility against corporations resulted from the increase of the price of the commodity controlled by some corporations. The failure of proceeding beyond financial consolidation, the failure of efficient administrative, and especially technical reorganization, resulted in not realizing the decreased cost of production which the economy of mass production should bring about, and the need of paying the cost of consolidation then led to an increase of the price of the commodity, instead of the decrease which should be the result of co-operative production, and the absence of competition then allowed such a situation to persist longer than is safe. At the same time, it must be realized that the corporations are the creations of man, that the industrial development of our country has been so enormously rapid and the number of men capable of directing it safely is relatively so insufficient that many things which should be done, which the corporation leaders realize as desirable and necessary and wish to have done, remain undone for a long time, because men capable of doing them cannot be found.

The inevitable defects of the new industrial growth led to the demand for supervision and

control of corporations, and such supervision and control thus has been established by legislative action of municipalities, states, and nation, in the various commissions, from the Interstate Commerce Commission of the Federal Government down to municipal commissions dealing with local industries. The unfortunate feature is that the men who created these industrial commissions, and who serve in them, very often do not understand the economic position of the corporations as industry's most efficient tool, do not realize that we are in the transition from the competitive to the co-operative system of industry, and much of the legislation thus is inquisitorial rather than constructive, and as the result it is questionable whether thus far the legislation regarding corporations has not done more harm than good for the nation.

The structural elements of the industrial corporations are human beings, and when replacing their separate industrial efforts as individual producers by their co-operative work in the corporate organization, their individual efforts for their own well-being also require consolidation into an organization for their common welfare. And, after all, while the purpose of the corporation is industrial production, the pur-

pose of industrial production is the welfare of the members of society, the producers, so that the final purpose of all is the welfare of society.

The realization of "social work" as one of the essential activities of the corporation has come last. It is just being approached by many corporations. Sometimes it is the result of the pressure exerted by independent and often hostile employees' associations—labor unions. Or where the corporation has succeeded in suppressing organized action of its employees, by spontaneous outbreaks—syndicalism. But whatever the reasons may be for entering social work, it must be realized that it is not a "charity," a "social duty," but is just as integral a part of the corporation as the financial or the administrative activities.

The most serious defect of the social activities of the corporations to-day—welfare and education—is the lack of men capable to direct the work. To organize and direct this important activity of the modern corporation requires men who have to a high degree the social sense, and at the same time are thoroughly familiar with the other activities of the company, financial, administrative, and technical, so as to coordinate their social work with the other

activities of the corporation. Such men are few, and herein lies the greatest limitation of the rapid advance of the corporate organization of society, which is necessary for its economic efficiency.

The question is often asked by the extreme individualist, With industrial competition dead and the national—or international—corporation taking the place of the numerous independent and competing producers, will not industrial progress stop, and stagnation—that is, retrogression—result from the suppression of individual enterprise, the absence of the rivalry between competitors, which brings out their best efforts, their initiative and ambition?

Industrial competition of everybody for himself and against everybody else—and the devil take the hindmost—has failed and is disappearing, is, indeed, practically dead, but there is growing up in the industrial organizations a competition to further the common end, the welfare and advance of the organization, a rivalry, who can accomplish most for the benefit of the corporation, and the reward is in power, in reputation, and also financially. It is this competition of co-operation which the change of the industrial system from competition to co-

operation is introducing into the industries; the same competition of co-operation as exists in scientific circles in the universities of the world, the same as has made armies victorious and nations powerful and, when failing by the encroachment of class privilege and favoritism, has defeated armies and destroyed nations.

Success is often measured by the accumulation of wealth; but does anybody really imagine that to the multi-millionaires, to the great financiers of to-day, the accumulation of money far beyond any possible personal use is the inducement? Is it not rather the power which the money represents, and does not the power of great scientific reputation, of statesmanship, etc., attract equally great minds? If we speak of really great men—men whose greatness everybody recognizes—a Lincoln, Washington, Franklin—does anybody know or ask how rich they were, how "successful" they were from the point of view of measuring success by wealth? So ambition, rivalry, the success of power and accomplishment remain, even if money would cease to be the goal. However, even to-day the chances of financial success in unrestrained industrial competition are rather remote, and in the big corporation a far better

chance of success is afforded than in individual production, even from the financial point of view.

Thus the nightmare that the elimination of industrial competition and the development of the vast industrial corporation would stifle progress by destroying ambition requires no serious consideration; the reverse is the case. We still hear a lot of talk on the necessity of individual enterprise for progress, but even to-day and for some time back, when any really great work was considered, individual enterprise usually failed, and the corporation, either the private corporation, or the public corporation—municipality, State, or nation—had to step in.

IV

THE INDIVIDUALISTIC ERA: THE OTHER SIDE

POLITICAL and industrial freedom unfettered the ambition, the initiative, the creative, and inventive ability of all the human race and so founded our modern industrial civilization on the basis of individualism.

But differently expressed, this foundation of our civilization means, "Everybody for himself, and the devil take the hindmost." What then if the hindmost does not care to be taken? And organized mediocrity is more powerful than individualistic ability.

For a long time this issue did not arise; the opportunities opened up by the destruction of feudal privilege were so vast that few indeed were those who did not find their social and industrial position materially better than in previous ages. In the small individualistic production of the first half-century of capitalism everybody with some initiative and ability

found opportunity to make himself industrially independent and moderately prosperous—as prosperity was considered in these, the golden days of individualism. But the means of production rapidly increased, competition between producers became more severe and destructive, the smaller producer had to make room for the larger, and the chances of the individual employee to rise into the ranges of the employers became less and less, and so again classes developed, a smaller employer's class and a larger class of employees.

But while under feudalism men were fairly well satisfied within their class as long as they were justly and fairly treated in accordance with their position in society, it was not so in capitalistic society. A change had occurred in man and that change was *education*. The power which had brought about this change was the *steam-engine*. Through it man graduated from *laborer* to *machine-tender*. Before the days of the steam-engine, man, assisted by animals, supplied the power which society demanded in raising and moving things, on farms, and in industries. The steam-engine relieved man of mechanical power, supplying it a hundred- and a thousand-fold, and man became the operator,

the director, and the tender of the machine. But a higher intelligence and higher knowledge is required to direct the mechanical work of the machine than is required in direct labor, and thus the steam-engine, while increasing the power of man a hundred- and a thousand-fold, made education a necessary requirement of his industrial usefulness.

In the feudal age education was unnecessary for the efficiency of the serf's labor, and was objectionable because making him dissatisfied with his lot, and all that was necessary was a little religion to hold out the hope of reward in heaven for his earthly toil. But capitalism required some education for the efficiency of the workers, and the industrial development of a country is closely measured by the efficiency of its public school system. Thus, even in Russia, where an autocratic government opposes the education of the masses, industrial corporations maintain schools for their employees.

But education, however limited, meant some reasoning power, and very soon the question was asked why the unsuccessful majority should not share in the good things of life appropriated by the minority, and the answer was—organization. But there could be no force behind such

organization so long as it appeared to the individual employee a shorter and more promising way to rise personally into the employer's class, and then share in the exploitation of his former co-workers.

Just as under feudalism the serf had an opportunity to rise into the ruling class—but the chances were very remote—so under capitalism the wage-earner by exceptional opportunity, intelligence, and initiative could rise into the employer's class, but the chances became increasingly remote, and such terms as "wage-slavery" arose to represent the situation, and the conception of a "class consciousness" of the proletarian wage-earner found its expression in industrial organization as labor unions, and political organization in the socialistic parties, which took up the representation of the class of the exploited, in opposition and often in hostility to the exploiting class, in fighting for a greater share of the industrial production. It is significant that in countries in which the segregation into working class and ruling class had become sharpest, and the chances to rise from class to class least, the industrial or political organization of the workers has become most powerful, while in America the vast natural re-

sources and the opportunities of a new country make the chance to rise to independence by no means negligible even to-day, and the organization of the wage-earners never has reached an effective political stage, "class consciousness" has not become the slogan of a powerful political party, such as it did, for instance, in Germany, already a generation ago.

With the further development of industrial capitalism gradually the corporation took the place of the large individual employer, and the "employer's class" steadily dwindled down. First, individual personality still dominated the corporation: the "Harriman" roads, the "Vanderbilt" interests, etc. But with the death of the men who organized the corporations, their management became impersonal, and so we find to-day, at least in those industries in which the development has progressed furthest, no more a class of employers and a class of employees, but impersonal capital is the employer, and all the human beings, from the president to the laborer, are employees. With the wide range of activities of the employees of capital, there are wide differences of interest, but the sharp dividing line between the antagonistic interests of hostile classes is decreasing, and

"class consciousness" is beginning to become an anachronism. To revive it as an antagonism between salaried officials and wage-earners, or between shop and office force, fails where many a journeyman's earnings exceed the salaries of the younger men of the clerical force, and the distinction between office and shop is often lower pay and less freedom of the young man in the office force than in the shops. It is again significant how large a membership in the Socialist party of America is represented by office men and by the middle class, the small individual producers and farmers of the West, an element which hardly comes under the wage-earner's conception of "class consciousness," but which is rather more a survival of the past days of small capitalistic production than the beginning of the realization of a co-operative commonwealth.

With the corporate organization of modern industry the employer's class is disappearing, and impersonal capital becomes the only employer, and all people connected with the industries become employees. But impersonal capital is owned by persons, a capitalist class, and the war of the classes would continue between the capitalist class and a class-conscious

working class. But who are the capitalist class? The idle rich? ἡρώων παῖδες πήματα, at best, harmless fools, living on the wealth created by their fathers? They fill the newspapers with foolishness and scandal, they figure in campaign speeches "to paint a moral, to adorn a tale." But industrially, socially, politically they are a negligible factor, they are no part of our national and industrial life, and are being rapidly exterminated by race suicide. No movement could derive its inspiration from a fight against them. Then there are the great financiers and multi-millionaires. They may be in some instances oppressors and exploiters, may be a national menace and require to be fought, but they are merely the managers, the employees of their capital, working just as any other employee in the service of capital, and bound by it in their action. Furthermore, capital is scattered from the single family house with its heavy mortgage, of the workman, or the few hundred dollars in the savings-bank, to the employee who receives from interest and dividends an appreciable addition to his salary or wages, and finally the employee whose salary is small compared with his income from stocks and bonds. Where, then, is the dividing line

between capitalist and worker, the line which distinguishes the one class from the other? And with the decreasing returns from smaller capital holdings, a class distinction becomes less and less possible.

But all argumentation against the existence of classes, all evidence that there are no classes in modern individualistic society does not wipe out the fact felt by all that there is a sharp dividing line going through modern society, that there is a large majority which does not, and cannot, look at things in the same way as the minority—a minority controlling and satisfied with existing society, therefore patriotic in the defense of this society, and a majority of workers who in sentiment and feeling are hostile to individualistic society, feel that society does not give to them what they believe themselves entitled to—however dull and indistinct this feeling may often be.

Over most of the workers hangs throughout all their life the fear of unemployment, the fear of sickness, the fear of old age. No matter how well paid their work, no matter how much they have saved and placed in the savings-bank or invested in a small living-place, they never can lose the fear that a long-extended period of un-

employment, a long sickness, may wipe out their small savings and bring them face to face with starvation; that in their old age, the poor-house or the private charity of their relatives will be their lot.

It is these three great fears which distinguish the majority from the minority and make the former dissatisfied with society. This is the cloven foot of the individualistic era—"the devil take the hindmost." Individualistic society has failed to guarantee and insure the right to live of all human beings, and all those who feel that they may some time in their life be caught as "the hindmost" naturally do not look on our society as the best possible, are not patriotic in its defense.

Only one nation, Germany, has eliminated these three great fears, has established the principle, "the right to a living, and the duty to work," by an effective unemployment insurance, sickness insurance, and old-age insurance, and the result we see to-day. Whatever views we may hold on the merits of the issues of the war, there can be no denying that all the Germans, from the socialist working-man to the aristocratic nobleman, stand back of the nation, while we have seen the disinclination of the

English worker against voluntary enlistment, his opposition against fighting for his nation, which finally made conscription necessary. Unfortunately, we see the same here in our country: in all the present patriotic revival, in the preparedness movement, the workers and their organizations are conspicuously absent.

In this respect the individualistic era has failed to satisfy the masses of the people, has failed to give them what they demand—social and industrial safety; and no talk about undesirable paternalism, un-American ideas, etc., can obscure the fact of the failure.

This is the great problem modern industrial society has to face and to solve. It is the driving force back of the "social activities" which the modern corporation is beginning to recognize.

The success of industrial capitalism is based on mass production by subdivision of labor. But with the increasing subdivision of work, the character of the work has changed, and with it the attitude of the worker toward it: the creative element has gone out of the work. To the shoemaker of former days who, from the leather as raw material, made a complete pair of shoes, to the machinist who collaborated

in building a finished machine, there was a satisfaction in the creation of things which necessarily gave them an interest in their work. This satisfaction in his work the piece-worker cannot feel, who makes the same seam in every one of the thousand shoes which pass before him in the shoe-factory, or who makes the same slash in every one of the carcasses passing before him in the slaughter-house, or drops the same bolt into the same kind of hole in the automobile factory.

Thus the work of the world has largely changed to labor, to drudgery, and the interest which the worker of former days found in his work he now seeks outside of the working-hours. As the result, the demand for shorter working-hours, though existing in former times, has become more insistent now, with the changed character of most of the industrial work. It is often difficult for the captain of industry, the leader, or manager to understand why the employees demand the eight-hour working-day, while he himself is working twelve or fourteen hours without complaint: but let us distinguish between creative work and monotonous labor, and the matter is clearer. Of the twelve hours of the director, two hours may be

uninteresting mechanical routine, drudgery; ten hours supervision, administration, direction of work—in short, creative activities; and compared with the piece-worker the balance of labor stands two hours against eight hours. It is true, very few of the workers in our modern industries who continuously do the same thing over and over again would be willing to change to an occupation where they have to use their intelligence to a greater extent, where a variety of action requires reasoning alertness. But this merely means that their intelligence and ability have never been developed sufficiently to appreciate creative activity, or has been dulled and depressed at an early age; but it does not make the continuous repetition of piece-work any less monotonous.

Thus the demand for a shorter workday, backed by the employees' organizations, has steadily decreased the hours of work until now we are approaching the eight-hour workday as standard, have reached it in many occupations, and realize that it is coming inevitably throughout all the industrial world. There can be no serious objection against the eight-hour day, provided that it is universal. The objection is the handicap in industrial competition met by a

corporation with eight-hour working-day against a corporation working nine or more hours. Thus if the efforts toward a shorter working-day could be more equalized, directed against those employments in which the working-hours are longest, there would be much less justified opposition than now.

It is often stated that by the increased efficiency of work the same amount can be done in eight hours as in nine hours. It is true that the working efficiency increases with the shortening of the hours, and the reduction from nine hours to eight hours may not mean a decrease of one-ninth of the output, but it means a very substantial decrease of output, sufficient to prove a serious handicap in competition with a nine-hour day.

Shorter hours means a decreased plant efficiency, and thus an increase of the fixed cost representing interest and depreciation of the factory investment, as the plant remains idle a larger part of the time, and this will have to be met by operating in several shifts, utilizing the plant by several successive sets of employees.

But what afterward? With the eight-hour day accomplished, the demand will not stop,

but go toward a seven-hour day, six-hour day, etc. What is the ultimate limit at which the decrease of the hours of labor will have to stop, if our civilization shall continue? Or what readjustment in our social organization, in our standards of living, will be required to accommodate it to a greatly reduced labor supply?

One hundred years ago the average workday was ten to eleven hours. Now it is eight to nine hours. It has decreased about 20 per cent. The productivity of work in these hundred years, by the steam-engine and the infinite number of inventions and improvements following it, has increased at least tenfold—probably more nearly twenty- to thirty-fold, but for illustration let us assume only a tenfold increase. Thus with only an average of one hour's work during the day we could now produce as much as we did in ten hours, a hundred years ago, and could live in the same manner, with the same standard of living which satisfied us a hundred years ago, by working only one hour per day. But we have realized on the increased productivity of man, not by a reduction of the hours of labor, but by an increase of consumption of commodities. In short, we are getting the benefit by receiving many more commod-

ities—eight to ten times as much as satisfied us a hundred years ago—but not by working much shorter hours. But is this abnormal increase of consumption, which in spite of the enormous increase of productivity requires almost the same working-hours, desirable, or is it even desired? Is it not to a large extent artificial and unnatural, fostered by the producers? A considerable part of the world's work of today is not production, but is advertising, selling, and all those activities which essentially aim to increase the production by stimulating demand where it did not exist. By these artificial means the consumption has been increased to keep up with the production at the old rate of working-hours.

Suppose now we should discontinue consumption of things we never cared for until somebody persuaded us to their use and be satisfied with only four to five times the commodities with which we got along one hundred years ago; this would give a four-hour workday. But the elimination of all the work in making us use more than we have the inclination to use, by advertising, selling, etc., the elimination of obvious waste and inefficiency, of duplication of production, etc., would still further materially

reduce the work of the world, so that, even without discounting the improvements and inventions which are continuously being made, we can see a world with a standard of living fully as satisfactory as ours, but working only four hours a day, only two hundred days during the year—that is, taking a week or two for recreation at every holiday, and two months' vacation in summer.

This is far away, but it is no idle dream, for we only need to look across the water, toward war-torn Europe, and we can see conditions which, with the waste of war removed, would not be far different from the above. While the entire world is called upon to feed and supply the Allies during this war, the blockaded Central Powers feed and supply themselves and get along fairly successfully, as far as we can see, and what little trouble there is is due to imperfections of the new organization rather. But if we allow for the millions of producers who are kept in productive idleness in the armies, and supported by the best the nation has in food, physical and medical supervision, the other millions wasting their energy in unproductive work in making ammunition and war materials, subtract the mass of products consumed by

these unproductive elements, the consumption of the peaceful part of the nation certainly amounts to materially less than four hours per day productivity. Thus, under better skies, the same organization of production and elimination of waste would make the above dream a reality.

And indeed, when we think of it, we see that our present civilization is frightfully inefficient in man getting the best use of his life.

We live to work, a fool once said, and millions of other fools have since repeated it. But why should we live, if labor is all we get out of it? The Church of the Middle Ages was consistent in saying that we live to work and thereby to earn eternal reward in heaven; but in the modern age, where transcendental religion and social life are kept separate conceptions, we do not live to work and sleep, or eat to work, but we work and sleep and eat to live; life has become the object; its aim, to make the best of ourself as individual, as member of the family, the community, the nation, and of mankind in general.

If, then, work and sleep and eating are necessities of living, the efficiency of life is measured by how large a part of our life we have at disposition for ourselves, not occupied by neces-

sities, but free to fulfil life's aim as we understand it.

In spite of the enormous advance of the human race in the last hundred years, the increase of efficiency of life has been very small.

Let us look at it. One hundred years ago, man worked ten hours a day, an average, for 300 days during the year. This meant:

Total number of hours during the year....	365 × 24 = 8,760 hours	= 100%
Sleeping (8 hrs. per day) and eating (1 hr.)...	365 × 9 = 3,285 hours	= 37.5%
Working, 300 days at 10 hours.....	300 × 10 = 3,000 hours	= 34.4%
Leaving available as free time.....	2,475 hours	= 28.1%

At present, with an eight-hour workday, working 300 days during the year, it means:

Total number of hours during the year....	365 × 24 = 8,760 hours	= 100%
Sleeping (8 hrs. per day) and eating (1 hr.)...	365 × 9 = 3,285 hours	= 37.5%
Working, 300 days at 8 hours.....	300 × 8 = 2,400 hours	= 27.4%
Leaving available as free time.....	3,085 hours	= 35.1%

Thus, in spite of the great progress during the last hundred years, the efficiency of human life has increased only from 28.1 per cent. to 35.1

per cent., or by 7 per cent., and still is extremely small, 35.1 per cent.

If, however, we could fully realize on our advancements, with a four-hour day and 200 working-days, the record would stand:

Total number of hours during the year....	365 × 24 = 8,760 hours	= 100%
Sleeping (8 hrs. per day), eating (1 hr.)	365 × 9 = 3,285 hours	= 37.5%
Working, 200 days at 4 hours.....	200 × 4 = 800 hours	= 9.1%
Leaving available as free time.....	4,675 hours	= 53.4%

This would give 53.4 per cent. as a maximum possible efficiency, under the present conditions of human knowledge, nearly twice as much as one hundred years ago, and would be an advancement worth while.

V

ENGLAND IN THE INDIVIDUALISTIC ERA

WHILE France in the great revolution gave the world the industrial era, England very soon took the leadership, and has retained it ever since. Various causes contributed: the early start of England in gradual revolution from the industrial centers of the later Middle Ages, which had been destroyed on the Continent by the perpetual wars of the absolute monarchies, but survived in England; the protection of its island position by the ocean, which kept hostile armies out of England during the Napoleonic wars; the acquisition of a great colonial empire: whenever Napoleon conquered and annexed another country, England took its colonies, and when France, after its final defeat by the allies, had to give back all these nations, England, as one of the allied "liberators," kept most of their colonies, and so India, South Africa, etc., became English. The wealth of

England in coal and iron, the fundamental requisites of industrialism, gave her a great advantage. But most instrumental of all, and more dominant than the other incidental advantages, was the strongly individualistic character of the Anglo-Saxon race, which gave it the leadership in the individualistic era, and supplied the initiative to create industrial capitalism.

England thus became the great industrial country, producing and supplying the world with steel and iron, textiles, machinery, and all manufactured goods. England became the universal world's supply of manufactured goods, from the fetishes and idols of the heathen to the Bibles and missionaries to convert them. Free trade, early established in England, and consistently maintained, gave a cheap supply of food and raw materials. An effective propaganda spread free trade to the other nations, unrestrictedly opened their markets to English products, and for generations retarded the development of industries in other nations, and kept them industrial dependencies—like our nation before the Civil War. England was a prosperous industrial nation under free trade, and so the other nations were led to believe if they only embraced free trade they would be-

come equally industrial and prosperous. It took generations to realize that for England as a dominating industrial nation, having no industrial competitor, free trade was an advantage, but no industrial development could hope for success in another nation in competition with the powerful, highly developed industries of England, having open access to the markets. We may listen with rather mixed feelings to the complaints of our protectionists, asking for "protection" of our "infant industries," when we hear that these infant industries hold first or second rank in the world's production, and often sell their products in the foreign markets cheaper than in our own country; but in the agricultural America before the Civil War, in the agricultural Germany of fifty years ago, any new industry was certain to be crushed quickly and promptly and destroyed by England's dumping competitive products regardless of price—and then recuperating by higher prices when the new industry had been destroyed. There was nothing immoral or improper in this; it is done to-day by every industrial nation, as it is the law and code of the competitive age—the stronger destroys or absorbs the weaker.

But finally the other nations—America after the Civil War, then Germany and the others—closed their gates, developed their own industries, became industrially independent of England, and finally became her competitors on the markets of the world.

For over half a century, however, England held the markets of the world without any competition. Then and thus, from the vast profits of this time, was the foundation laid of the vast financial power of England, which still to-day holds the world in bondage.

With the development of America and Germany as industrial nations began the decadence of England's industries. Developed at an earlier time and under conditions when there was no serious competition, England's industrial system did not show the productive efficiency of its later competitors. America and Germany both organized their industries on a larger scale with more modern conceptions, and especially they utilized to the fullest extent all the intellectual abilities of the nation, while England failed in this respect.

England's industrial preponderance had been built up from the factory and the machine-shop, by men working up from the ranks, but the

country's higher educational institutions had little part in the industrial development. Thus deprived of many of the country's best intelligences, unable to secure the higher industrial efficiency which comes from the broad and systematic training of the industrial leaders in technical educational institutions, England's industries found themselves at an increasingly serious disadvantage against their later competitors, and when, in the last decades, the seriousness of the situation was beginning to be realized, remedial action was difficult, because the educational institutions, not receiving the assistance and co-operation of the industries, had in their technological branches remained behind the engineering schools of America and Germany.

In these latter countries, in the beginning of the industrial awakening a close co-operation and practically an alliance had been established between the industry and the technical college or university. The industry gave preference to the college-trained men—the reverse of what was the rule in England—often, as in the electrical industry, even made college training practically mandatory for all higher positions, and the leaders of the industry devoted consider-

able time and attention, and even gave material financial assistance, to the engineering schools, opened their establishments to instructors and students of these schools, advised and guided their courses, and so did everything to make the engineering schools most useful for the industries, while the faculties of the technical schools quickly realized the advantage of this close co-operation with the industry, encouraged it to the fullest extent, wherever possible selected their instructors from the industries, in short, availed themselves of the assistance given by the industries.

As the result, with the exception of those industries such as ship-building, on which her existence depended, England, once the only industrial nation, dropped behind America and Germany, especially so in the more recent industries. Thus in electrical engineering, in the last years before the war, when there was any great electrical engineering work done in England or her colonies, it was usually "made in America" or "made in Germany."

Contributory to the industrial decadence was England's labor situation. In the early days of the period the standard of living of the British industrial worker was relatively high, especially

so in comparison with the masses in the other, industrially undeveloped nations. With the increasing power of industrial capitalism the standard of the industrial worker was gradually but steadily lowered, and with it his industrial efficiency. First this was little noticed, especially as there was no comparison yet with the conditions in other nations, in which industrialism was just beginning, and even after the lowering of the standard of living became marked, for generations conservatism and the strong individualistic tendency of the Englishmen prevented effective organization to combat the lowering of the standard. It was significant that during the latter part of the nineteenth century, at the numerous international congresses of the labor interests the British trade-unionists either held ostentatiously aloof, or opposed any joint national or political action.

When finally, in the last years, the mass organization of the British labor elements came industrially and politically, it came with a rush, and while accomplishing material results in arresting the downward trend of the standard of living, it had the defects of any very rapid growth: the absence of the stability and steadiness of development, which can be given

only by gradual evolution, but not by revolutionary change; the preponderance of destructive over constructive tendencies; the unnecessarily great harm to the industries by the cataclysmic activities, etc.

By this time, the first period, that of England as industrial power, had passed; other nations had forged ahead industrially, and England had entered the second period of her capitalistic age, that of England as financial power.

It is significant to realize that industrial convulsions, such as strikes of half a million or a million railway workers, miners, etc., which would have paralyzed and plunged into industrial panic any other nation, passed over England without any appreciable effect on her prosperity.

What mattered it to England that she lost the American market and American industries grew and supplied the home market and entered the world's market, even into England, as long as the American industries were financed by British capital and the profits of the American industries went to England, hundreds of millions per year, as dividends and interest on British investment in American industries? What mattered it, when British industries de-

clined, as long as all over the world, from Mexico to Ceylon, and from China to South Africa, agriculture and industry, financed by British capital, sent their profits to England, and the entire world thus paid tribute? Not political tribute as conquered nations, as of old, but tribute just the same—industrial tribute—the return on British capital invested all over the world; the capital which had been created by the profits of the British industries during the time when England was the leading industrial nation, and had accumulated ever since.

Thus England became more or less independent of its home production, became the great financial power of the world, London the world's financial center which controlled the industries of the nations, and so England became able to a large extent to live on the returns of her capital invested throughout the world.

This is for England the most serious side of the present war. It is British capital which must bear the enormous, almost inconceivable financial burden of the war, and however vast British capital is, it is gradually being impaired by the steady drain, and with every month that the war continues, the reorganization of

England's economic system after the war becomes more certain, the necessity of reconstructing its domestic economy so as to carry a much larger part of its consumption by national production, less by industrial exploitation of other nations or colonies—that is, to live more fully on its productive income, less on the interest of its capital.

While this readjustment and retrenchment necessarily must lead to wide-spread hardship, it is undoubtedly the best that could have happened to England as a living nation. No nation has yet lived as parasite on the work of other nations, and remained alive; so the Roman Empire has gone to decay; so Spain, when after the discovery of America the riches of the new continent came to her in the silver-fleets, has fallen from her height and not recovered yet, after centuries.

But for all the other nations of the world—those which were "developed" by British capital—it will mean reorganization and reconstruction, also; an industrial depression first, by the withdrawal of the British money, which had "made the wheels go," and then a gradual recovery under a more complete national industrial independence.

In our country the conditions have been somewhat different, in so far as we have largely escaped the industrial depression, and our industrial recovery under national, American capital has been very rapid. Before 1893, America was practically a financial dependency of England. After the panic of 1893, America's financial strength gradually rose, and during the two years of the present war we have made an enormously rapid progress toward financial independence, largely because a considerable part of the British capital, which had to be withdrawn from the markets of the world to finance the war, found its way to America to pay for supplies, food, and industrial products.

However, we must not overestimate our position. We are still very far from financial independence, and the hope to see the world's financial center shift from London to New York is still very much of a dream—far from realization. Not a dream, however, but quite within reach is the opportunity to replace European capital by American capital in the industrial development of those countries which are within our sphere of influence—South America, Central America, and Mexico.

VI

GERMANY IN THE INDIVIDUALISTIC ERA

THE development of Germany during the individualistic era was dominated by two features—the late arrival of capitalism, and the early arrival of the socialistic movement. Industrial capitalism in Germany became victorious a generation later, while a powerful Social Democratic party made its appearance in Germany a generation earlier than in any other nation. The result was that before the conflict between capitalism and feudalism was ended, capitalism had already to meet the attacks of socialism, and as the result in Germany industrial capitalism has in reality never gained as complete control of the nation and its government as was the case elsewhere.

The reactionary period of the unholy alliance was broken and the individualistic era finally established in France by the revolution

of 1830 and the revolution of 1848 swept away the last remnant of feudalism and established individualism all over Europe, except in Prussia. There the revolution of 1848 was a draw, and the final conflict between capitalism and feudalism was waged in the Prussian parliament in the early 60's. Both parties endeavored to get the assistance of the labor movement which was then just beginning. Industrial capitalism organized labor unions on the lines of the early British trade-unions; these flourished for a little while, but soon weakened and died before the rising tide of socialistic labor organization. Bismarck endeavored to attach the young Socialist party to the assistance of the monarchical government, but nothing but complete surrender of the monarchy to democratic socialism would have satisfied the early Socialists, while the movement was not yet sufficiently strong to cause Bismarck to offer material concessions. Thus a three-cornered fight continued. With the consolidation of Germany under Prussian leadership, by the Austrian and the Franco-German war, capitalism finally gained the control of the nation, but at the same time the monarchy became so firmly established that all previous dreams of the re-

formers, of republicanism and complete democracy, vanished forever.

For a few years in the early 70's, during the business prosperity following the Franco-German war, Germany was under almost complete capitalistic government. But gradually Bismarck, as the leader of the monarchical forces, weakened and eliminated the more radical and oppositional elements of industrialism (the "democrats," "progressives," etc.), while the rising Social Democratic vote threatened capitalism and the monarchy alike. The time thus appeared ripe for an alliance between capitalism and the monarchy, against socialism; capitalism surrendering its demand of complete control of the national Government, while the monarchy conceded to share the Government with capitalism. Such an alliance thus followed, not as a formal agreement like that entered into between the German Social Democracy and the monarchy at the beginning of the present war, but as a tacit understanding. The ten years' war against the Social Democratic party was the result, under Bismarck as the leader of the joint forces of monarchy and industrial capitalism. Special laws were passed against socialism, and successively made more rigorous; labor unions were

dissolved and their funds confiscated; industrial strikes suppressed by the military power of the Government; the Social Democratic party outlawed, its leaders expatriated and driven as homeless wanderers from place to place; all socialistic publications in Germany suppressed; the introduction into Germany of socialistic literature punished by heavy prison sentences, and new judicial interpretations created by the governmental judges. For instance, the official paper of the Social Democratic party was published weekly in Switzerland, as publication in Germany was forbidden. Its introduction, sale, and distribution in Germany were forbidden. In the first years of the war against socialism, only those were punished who were convicted of selling or distributing the paper. Later on the possession of several copies, even only two, of the same number, was accepted by the judges as evidence of the intention of distributing the paper, and finally men were punished with six months in prison for having a single copy of the paper, on the ground that in getting the copy of the paper they had "induced the editor [in Switzerland] to distribute the paper and thereby to break the law."

The ten years' war was won by the Socialists,

and the allied forces of industrial capitalism and the monarchical government defeated; the persecution of the Socialists had to be abandoned, the special laws against socialism dropped, and the Social Democracy—now swollen to a party of over a million votes—recognized as a legitimate political party, and Bismarck, defeated and discredited, had soon to relinquish his power and retire into private life.

Then began the reorganization of the German nation, the change from individualism toward co-operation, which has made the industrial Germany of to-day.

In the mean time a new emperor, the present Kaiser, had ascended the throne, while politically and industrially the conflict was raging between the remnant of feudalism, represented by the "Junkers," the industrial capitalism, and the Social Democracy.

First the new Emperor reorganized the army and got complete control of it. This assured the safety of the monarchy against any revolutionary opposition, but also gave him the name of the "War Lord," which in foreign countries has clung to him until to-day.

By an effective progressive social legislation the masses were conciliated and attached to the

monarchy, and socialism, deprived of its revolutionary character, became an evolutionary party, grew to the largest and most powerful political party, with six million votes, and by its demands and criticism pushed forward the social and industrial reorganization. Thus by effective and liberal governmental old-age insurance, sickness insurance, and unemployment insurance, the three great fears which hung over the masses in all other countries, were eliminated, extreme poverty vanished, slums disappeared, and the condition of the masses became superior to that in all other countries, even in America, where the neglect of social legislation is gradually making itself felt now. The outward sign was the disappearance of immigration from Germany, in spite of the rapidly increasing population; the inward evidence the absolute unanimity with which the masses, led by the Social Democratic party, stood back of the Government in the present war.

Corporate organization of the industries was assisted and pushed, often to the extent of the Government or the Emperor personally participating financially.

The industrial organizations were encouraged to expand and to combine, consolidation

of corporations to syndicates and trusts assisted by the Government and even enforced—as in the potash syndicate—but at the same time an effective supervision and close control of the corporations and trusts established to safeguard the people against any possible abuse of the corporate power.

The result was that the antagonism of the masses against the corporations, which here in America paralyzes our rapid industrial progress and threatens to destroy our prosperity by interfering with the industries' most effective tool, the corporation, has never appeared in Germany, but consolidation has proceeded unchecked.

The educational system was reorganized, and the university idea extended into the industrial field, and a universal system of industrial education established, from the vocational school which takes the graduate of the public schools and does in a more efficient manner what the apprenticeship of former times did, the teaching of a trade, up to the large polytechnic schools leading to the highest fields of engineering.

Thus the individualistic age of everybody for himself gradually gave way before a co-operative organization of the nation, giving every-

body the best opportunities for his or her development as an efficient and effective member of society, guaranteeing to everybody the right to live, but imposing the duty to work.

The result was obvious: an enormous increase of efficiency in every direction, in industry, science, commerce, and administration. Thus Germany became the leading industrial nation of the world, forcing England into second rank, and making it difficult even for our country, in spite of our vast natural resources, to hold our own.

With the conquest of the markets of the world by industrial Germany came wealth, and Germany became a financial power, and British capital began to meet the competition of German capital in the exploitation—or "development," as we call it—of foreign countries. It is true that England's financial strength was, and still is, very much greater than Germany's. But England, no more the leading industrial nation, needed the return of her invested capital for her support, while Germany still more than supported herself by her industries, and the returns of her foreign investments thus were additional wealth. Therefore, in her foreign investments Germany, not depending on the

returns, could offer terms which England, depending on the return of her capital for her support, could not meet, and Germany's rising financial power thus not merely threatened England's prosperity, but threatened the very existence of the British nation. For some time matters were compromised; in the Morocco affair, in the interference of German capitalistic interests with the consolidation of England's African empire (Cape to Cairo railroad, etc.), in the Bagdad railway, etc. But inevitably a final conflict had to come, and to allow Germany's increasing financial power to drive British capital out, or reduce its returns to the low values which Germany's surplus capital could meet, meant suicide for England.

Thus either England or Germany had to be wiped out as a financial power, and for England this would have meant national disaster. Financially, English capital could not fight German capital, as explained above, and the only possible solution thus was recourse to force—that is, war.

Thus it is true that in this war England is fighting for her existence; she is fighting for her financial supremacy, and on this depends the existence of the England of to-day.

But in this, also, lies England's weakness in the present war. It was easy for the German Government, by merely repeating the loose talk indulged in England at the beginning of the war, of "crushing the Prussian Empire," and "breaking up Germany in many little independent nations," etc., to make all Germans realize that they were fighting for the existence of their nation, and therewith of their superior social and industrial conditions. But it is much more difficult to make the masses of England realize that in fighting for British financial supremacy they are fighting for their own welfare, especially when they feel that they have not shared in England's financial prosperity, that England's financial power has contributed rather to the lowering of their standard of living, by making England independent of its industrial success, and that all that they have secured in the last years was by fighting against the same financial powers which now call upon them for help against Germany.

This explains the great difficulty England has in raising her armies, while Germany has no such difficulties; it is obvious that by nature the Anglo-Saxon is no less patriotic than the Teuton.

It explains, also, why all the reasons given as the cause of the war appear so insignificant and insufficient to explain the catastrophe. They are not the reason, but are mere incidents; but the real reason, the inevitable clash between Germany's rising financial power and England's threatened financial supremacy, on which her existence depends, could not be given, as it is not such as to be generally understood, not such as to cause the universal national enthusiasm which is required to lead a successful war.

It explains that the war was inevitable, just as that of the feudal nations against the French Republic at the end of the eighteenth century, Germany, organized as a co-operative centralized industrial nation, could not be defeated in the industrial or financial field by the individualistic industrial capitalism of England and the other nations.

Thus the present world's war is the conflict between the passing era of individualistic industrialism and the coming era of co-operative industrial organization, the former represented by England, the latter by Germany. It thus constitutes an epoch in the history of man just as that ushered in by the French Revolution, which made the transition from feudalism to

individualism. And in many other respects there is a striking similarity. One nation—France in the previous, Germany in the present, epoch—adopted the new principles and introduced them in its national organization, and the increase in its economic efficiency, resulting from the new era, threatened the stability and safety of the nations which held to the old era, and caused them to ally themselves against the reformer in the attempt to suppress by forcible means, by war, the "dangerous" new conceptions of human society. Just as the individualistic era conquered, though France, its exponent, was finally defeated in the field of Waterloo, so in the present war the new era of co-operative organization has conquered, whatever may be the outcome of the military war; for already England, the exponent and leader of individualism, had to throw over all her individualistic tenets and adopt as rapidly as possible the co-operative organization, which has created Germany's industrial strength and therewith the danger to the other nations. Thus we see in free and individualist England such tyrannical interference with personal liberty as contained in the "Defense of the Realm Act," compulsory military conscription, requi-

sition of private factories for military use, governmental blacklisting of private corporations which refuse to co-operate, commandeering of private property by the exchange against war loans, of industrial securities deposited in trust and fiduciary, interference with luxuries, food, etc., and even here in America, far away from the war, we talk about preparedness, compulsory military training, mobilization of the industries, etc., etc.

Thus, even if Germany should be utterly defeated and crushed, it would be only by the adoption by the Allies of the co-operative industrial organization against which they went to war, and the era of individualism thus is passed forever, though a temporary reaction may still give it an apparent but short life, and the era of co-operative social organization is at hand.

VII

THE OTHER EUROPEAN NATIONS IN THE INDIVIDUALISTIC ERA

FRANCE has never become a great industrial country like England or Germany. Weakened by a generation of continual war under the first Napoleon, its recovery retarded by the reactionary period under the unholy alliance and the revolutions of 1830 and 1848, which led to the Second Empire with its repeated wars, and ended in the disastrous Franco-Prussian war, France never had the chance of undisturbed industrial development which other nations had. The decreasing birth-rate, and finally the decreasing population, made the social problem less severe than in nations with rapidly increasing population, as Germany, where national production had to provide not only for the existing population, but for a great increase of population. Adding hereto the thrift and the saving habits of the French, it

is easily understood that France became a wealthy country, with the wealth rather distributed in moderate fortunes throughout the entire population, and not massed in a few vast fortunes, surrounded by a poverty-stricken population, as in the industrial nations.

Though France was unable to compete with England or Germany in supplying the standard industrial products to the world's markets, the inborn artistic temperament of the French nation made France successful in a limited but very profitable field, and in all those industries in which an artistic sense is necessary France became, and is to-day, predominant in the markets of the world, and has no competition to fear.

Thus the waves of the conflict for industrial supremacy between England, Germany, and America left France untouched.

France's rising financial power was repeatedly set back—by the extravagance of the Second Empire, by the war indemnity to Germany, and remained small compared with that of England, and in any case did not threaten England's supremacy; as, due to the French national temperament, French capital was to a small extent only invested in industrial exploitation of for-

eign countries. French capital built the Suez Canal, while the world stood by, scoffing; but when it proved a success, England appropriated it. The attempt to build the Panama Canal proved an impossible task, and tropical disease conquered; it was only after medical science had conquered tropical disease, largely by the work of the American Médical Staff in Cuba and in the Philippines, that the construction of the Panama Canal became possible and was accomplished by our country.

The disastrous financial failure of the French Panama companies discouraged French investors, and since that time French wealth has largely gone into governmental loans of foreign nations, especially Russia. Thus, when after Russia's defeat by Japan Russia, nearly bankrupt, was threatened by dissolution, and Poland, the Baltic provinces, and Finland rose in revolution, it was French money which came to Russia's assistance; it was the money of the French Republic which enabled the Russian autocracy to subjugate the nations which had tried to free themselves from the Russian yoke.

When the final conflict between England and Germany approached, France hesitated for a moment. But the English-speaking nations

were her best customers; the defeat in the Franco-German war of 1870–71 still rankled, and when Russia joined England the large investments in Russian loans needed protection, and thus France joined the Allies.

Russia has not yet approached the individualistic era, but is still deep in feudalism. An autocratic monarchy, discouraging and opposing intelligence and education, a small intellectual minority, fully as educated, intelligent, and able as the intellectual classes in any other country, but helpless and not backed by a nation; over 80 per cent. of the masses are still essentially serfs, are illiterate and thereby deprived of the means of communication beyond their immediate surroundings, hence barred from any intelligent political activity. The attenuated parliamentarism, represented by the Duma, thus can be a shadow only; but if it were real and the Duma had the power of the British Parliament, it would probably plunge the nation in still greater misery by substituting an irresponsible oligarchy for the autocratic monarchy. It is significant that the conditions of the Russian masses have been best when a strong autocrat ruled, and most unfavorable under a weak ruler like the present,

when a self-constituted group of dukes and bureaucrats exploited the nation.

The "awakening" of a "new Russia" by the present war, of which we hear so much, thus is an idle dream; as a nation Russia is further behind than Japan was when the American ships opened it to Western civilization; and it took Japan two generations to rise to equality with the Western civilized nations. What Russia needs is not political freedom and parliamentarism, but an enlightened autocrat like Frederic II. of Prussia was in the middle of the eighteenth century, who establishes schools everywhere throughout the country, and forces all the people to send their children to school. Then, in a generation, Russia can begin to think of self-government.

Industrially, Russia is a nation of vast undeveloped resources, requiring capital for its development, just as Mexico, South America, China does, and as our country did two generations ago.

But such development by foreign capital means exploitation. While the country becomes prosperous—as Mexico was under Diaz—the prosperity is not for the natives of the country, but the wealth of the country, from mines and

plantations, enriches foreign nations, and the lot of the natives is a steady depression of their standard of living toward serfdom, or, as we now call it, peonage. Our country has luckily escaped this fate, due to the enterprise and ability of the mixed races which had settled it; but in the Mexico of to-day we see the result of the development of a country by foreign capital in the individualistic era. Russia before the war was being "developed" largely by the Germans, and much of the hatred of the Russian against the German thus is of the same nature as that of the Mexican against the American.

Politically, Russia's position has been consistent for centuries. Christianized from Constantinople, by the Greek Catholic church, it was under the influence of the East Roman Empire, and when this empire ended by the conquest of Constantinople by the Turks in 1453, the Russian ruler, related by marriage to the last Palæologus, naturally considered himself as the heir to East Rome, and the dream of Russia has been ever since the restoration of the East Roman Empire as pan-Slavic power, with the Czar as ruler in the old capital "Czargrad"—Constantinople—just as the dream of

the Germans in the Middle Ages was the restoration of the West Roman Empire, of German nationality.

Twice Russia was close to the goal; in the first half of the nineteenth century (1839), when my countryman, Diebitsch Sabalkanski, forced the "impregnable" Balkan range, and finally in 1878, when the Russian army had penetrated to the walls of Constantinople, but both times it was defeated by British jealousy; the British war fleet, passing the Dardanelles, anchored before Constantinople, and the Congress of Berlin, under Bismarck and Lord Beaconsfield, tore up the peace of San Stephano. Baffled in the Balkans, Russia then turned her eyes toward a Pacific empire, but here again England's backing of Japan led to Russian defeat. England feared for her Indian empire, which Russia's rising power seemed to threaten, as in central Asia the Russian frontier had gradually crept close to the northern frontier of India.

The territory conquered, "liberated" by Russia in the Balkans, which England did not allow her to retain, was formed into small separate nations, under Turkish sovereignty, and so Roumania, Servia, Bulgaria, originated. Rus-

sia accepted this as a transition state, a temporary condition, until the time when Russia could completely absorb these countries, as she had done with Poland and Finland, as England did with Egypt, and Austria with Bosnia. But after some time these nations began to take themselves seriously, developed a national individuality, especially the more highly civilized ones—Roumania and Bulgaria—and refused to be swallowed, and now lie as a barrier between Russia and her Turkish prey. At the treaty of Berlin, in 1878, England erected still another and stronger barrier against Russia, when she gave Bosnia and the Herzegovina—which had been destined for Servia—to Austria, and thus established Austria on the Balkan Peninsula. Naturally then, Servia, deprived of its booty, has ever since leaned toward Russia, and become practically a Russian dependency, while Roumania and Bulgaria gravitated into the Austrian sphere of influence, since it was Russia which threatened their national existence, by considering them as a temporary arrangement, pending absorption by Russia. Thus the alignment of these nations in the present war was to be expected, in spite of the enmity between Bulgaria and Roumania, en-

gendered by the second Balkan war. Racial differences contributed: Servia is Greek Catholic Slav, like Russia. Roumania, however, is Latin, is the last colony of the ancient Roman Empire, its language closer to the Latin of the later empire than any other modern language, and it is thereby closely attached to Italy. Bulgaria, while speaking a Slav language since the days of the great Servian Empire of the Middle Ages, is of different race from Slav or Latin, nearer related to the Magyar race of Hungary.

Thus England, fearing Russia, had closed and double-locked the gates against Russian expansion in the Balkans, had made the Dardanelles a closed strait, so as to blockade Russia in the Black Sea. But when the greater danger from Germany's rising financial power threatened, England withdrew her objection against Russia's occupation of Constantinople, and promised her assistance to this end. This attached feudal Russia to individualistic England.

But there is still the old divergency of interest and mutual suspicion between Russia and England, and makes itself felt to the disadvantage of the Allies in this war; England's aim is to destroy Germany, but to save Austria as

much as possible as future counter-weight against Russia. Therefore, also, the British expedition into Mesopotamia, into Persia, to occupy as much Turkish territory as possible, and to keep it from falling into Russia's hands. On the other hand, Russia would prefer Germany to remain sufficiently strong to keep England in check after the war, but desires Austria, the barrier in the Balkans, destroyed. Therefore Russia consistently directed her drives against Austria, in her own interest, instead of against Germany, in England's interest.

There are probably differences of interest, also, within the Central Powers, though less pronounced. Germany is the nation which threatened the individualistic era by her co-operative industrial organization, and Austria is the most conservative and correspondingly backward nation within this group, while Hungary is closely attached to Germany in its social industrial development, as well as politically. When in 1848 Hungary attempted to make herself independent, a Russian army reconquered her for Austria, while Prussia's victory over Austria in 1866 gave Hungary its freedom. Austria, as the weakest member, had to be pulled along by her two stronger neighbors, Germany

and Hungary. Thus when in the first year of the war Austria's military organization broke down, Germany reorganized the armies; when, later on, the economic pressure resulting from the food blockade threatened Austria, Germany again had to organize Austria's internal economy.

Austria, however, was the leading nation in central Europe before Germany. Her emperor is of the oldest and most exclusive royal family, her nobility still far more self-conscious than that of Germany, and there naturally remained some feeling of jealousy against Germany as the upstart leader. It, therefore, is probably not without intention that Germany does not like to see Austria become too prominent. Thus Germany's help against Servia came only when the Turkish Empire found itself in such danger as to make German assistance necessary. In this connection it may be significant that while the German drive against Russia in 1915 carried the frontier of the Central Powers forward for hundreds of miles, beyond the limits of Poland, in the southeast corner of Galicia some Austrian territory was left in Russian hands, and the Allies in Salonica and the Italians in Avlona were allowed to retain their hold.

Poland as an independent state ended over a

century ago, and was divided between Austria, Prussia, and Russia. But as a nation Poland still lives; indeed, the national self-consciousness of the Poles greatly increased after the dismemberment of the nation, just as that of Germany in the period after the Thirty Years' War. The large and valuable Polish literature practically all dates from the time after the division of Poland. The Poles were a civilized nation long before the Russians; they were Christianized from the west, from Rome, are Roman Catholics, and between them and the Greek Catholic Russians stands the unbridgeable barrier of hatred, which is greater than any other among men, that of religious persecution and oppression. Germany has politically oppressed the Poles, but Germany has little Polish territory, and even there the majority of the population is German, because Prussian Poland was given to Russia by Napoleon, after Prussia's defeat. Austria has a large Polish population in Galicia. Austria has never oppressed the Poles, but has given them equal political and social rights, so that there is little enmity between Austrian and Pole, and as Austria is the leading Roman Catholic nation, the Poles have begun to look toward Austria as their protector,

since their old protector, France, betrayed them when, after the Japanese war, France financed Russia to defeat Poland's attempt for independence, and England abandoned the Poles in allying herself with Russia.

Thus a reconstructed Poland, too small a nation to stand entirely independent, would probably gravitate toward Austria as protector, assuming a position similar to Hungary.

Switzerland has an army, small, but not negligible, and while entirely surrounded by the war, situated as it is on the heights of the Alps, no convenient pathway of armies leads through it, and thus its neutrality is not likely to be violated like that of Greece or Belgium.

Greece is the only nation whose entire interest is to remain neutral at any sacrifice, for an alliance with the Central Powers would be suicide, with the enormous coast-line exposed to the attacks of the Allies, while a union with the Allies would bring down the thunderbolt in the fate of Servia and Belgium.

The Turkish power has been steadily declining since the days of Suleiman II., and if it had not been for the jealousy of the European nations the Turks would have been driven out of Europe long ago. But for a century England

protected Turkey against Russia—at a price, however: Cyprus, Egypt, and the Sudan, etc. When abandoned by England, in her approach to Russia, Turkey naturally allied herself with Germany as the only great military power which had no frontier adjoining Turkey and thus did not endanger the integrity of the remnant of the Turkish Empire, but merely desired commercial exploitation as compensation. It must be realized, however, that there has been an awakening, and a revival of Mohammedanism resultant from the war. Christianity has preached for twenty centuries, "Love your enemies," and as the result all the civilized Christian nations slaughter their enemies by the hundred thousands. But Mohammedanism has taught, "Help your friends and kill your enemies," and so the Mohammedan honestly practises his religious belief, while it requires a very highly developed state of hypocrisy for the Christian nations to harmonize their actions with their professed religion.

Japan, in the Far East, while a party to the world's war, is really outside of it. Looking only after her own interest, she is writing the Monroe Doctrine of Asia into the book of history: "Asia for the Asiatics." In the Chinese

war of 1894 she acquired the leadership of the yellow race; but the European nations deprived her of the fruit of victory, and divided between themselves the territories which Japan had conquered. Japan had to bide her time. In the Boxer revolution she took a leading part in the punitive expedition and so deprived it of any racial significance. When the time was ripe Japan struck Russia, deprived her of the spoils taken in 1894, and ended the dream of Russia's Pacific empire. Another ten years, and Germany felt Japan's retaliation and had to abandon her spoils. But England also had profited from Japan's coercion in 1894, and it is significant that Japan has taken not only the German possessions in China, but also the German islands in the Pacific, and is holding them as "strategic positions." Against whom? Not against Germany; but they are strategic positions against England's colonies.

We, as Americans, may desire the "open door" in China, but as believers in the Monroe Doctrine—"America for the Americans"—we cannot honestly dispute Japan's "Asia for the Asiatics," if Japan is capable of making good in civilization. And there is no doubt about this, for the yellow race is the only one which

has been capable of disputing with the white race the leadership in civilization, and, indeed, has held the leadership in some periods in the world's history. Thus there will be a gradual coalition of Japan with her defeated enemies, Russia and Germany, in her preparation to drive England out of the Far East.

It is necessary to shortly discuss the situation of the various nations to understand their alignment in the world's war and to realize the complexity of the issues: while primarily it is the inevitable conflict between the old and the new era, between England and Germany, all the issues between the nations, which lay slumbering, have flared up and are being fought out, such as Russia's aim for Constantinople, Poland's restoration, the desire of the Balkan nations to safeguard their national independence, etc., and these secondary issues necessarily more or less modified and controlled the conduct and the theater of the war, and so tended to obscure the main issue.

VIII

AMERICA IN THE PAST

THE history of American colonization can be divided into three periods, of which the latter two largely overlap; the period of exploitation, the period of the classic civilization of the South, and the period of the individualistic civilization of the North.

For centuries after the discovery of America the new continent was a field of forcible exploitation, but no serious attempts at settlement and organization of new communities were made.

The European nations, Spaniards, Portuguese, etc., attracted by the treasures of gold and silver, came to plunder, but not to settle and stay; few remained, and the white population thus grew very slowly—and even then strongly intermixed with the native Indian population.

The gold and silver fleets carried the loot of the new continent, gathered by murder and

rapine, to Europe, to the disaster of the exploiting nations. Spain and Portugal, becoming parasites by the spoils of America, followed the fate of the Roman Empire, decayed and fell from their height. When the plunder ended these nations had ceased to be self-supporting; poverty thus overtook them, and only to-day, after centuries, are they beginning to recover.

The new continent was despoiled, no constructive work was done, no new nations were created, and when finally the period of exploitation came to an end, and the Spanish-American countries rose and gained their liberty in the beginning of the eighteenth century, it was to exchange exploitation for anarchy; there was nothing on which to build a stable self-governing nation, and revolution followed revolution, until finally a few fairly stable governments emerged—Argentine, Brazil, Chile, Mexico. And even these governments are not very stable; impoverished by their forcible exploitation of their European masters in former times, they largely had to depend on foreign capital for their development, and what this means we see in the Mexico of to-day; development by foreign capital means development for foreigners, but exploitation of the nation, and if the country is not unusually

rich, its population unusually capable—as was the case in the United States—or other fortunate circumstances intervene and change the trend of development, sooner or later a reaction sets in, a revolution against foreign exploitation, and then it is doubtful whether a stable government of the natives for their own interests will ultimately arise, or whether anarchism will end the nation as an independent unit, as seems to be now the fate of Mexico.

Here probably the European war may be a godsend, may be the saving of the smaller nations of this hemisphere; the vast destruction of European capital by the world's war forced the extensive withdrawal of foreign capital from the South American nations. The first effect, naturally, was wide-spread disaster; industry, trade, and agriculture suffered; but the final outcome may well be a gradual rise of these nations by their own resources; very slowly indeed, compared with the rapid advance possible by foreign capital, but what is accomplished in this manner is by the nation and for the benefit of the nation, is constructive advance and not destructive exploitation, and here the United States, as the big brother of these nations, who has successfully passed the same trials, from

foreign exploitation to industrial independence, may offer material help and assistance. But this will require a great deal more patience and forbearance than we have usually shown in our dealings with other nations.

In the United States the immigration from the beginning was for colonization. No wealth of gold or silver attracted the plunderers of Europe, and the northern shores of the American continent thus were neglected long after Central and South America had been overrun and exploited. But when finally the colonization of the United States began, it was for settlement, and the colonists, driven to our shores by political and religious persecution, and later by Europe's unfavorable industrial and social conditions, came to stay, to form a new nation.

The Southern colonies languished for a long time, the climate being too hot for white farm labor. It was the introduction of the negro slave which made Southern colonization a success and created the historical South, an agricultural community raising tobacco, cotton, etc., on large plantations operated by slave labor. Thus arose a civilization based on slave labor; a small master class in control of all

political, industrial, and social power, free to devote their time to administration, literature, art, and science, highly civilized and superior intellectually to the uncouth farmers and sailors of the Northern States, thereby for generations in control of the political government of the entire nation. Below them was a mass of human beasts of burden, slave laborers, as a rule well kept and taken care of, just as, and for the same reason that, we take care of our cattle now, and therefore as a rule not seriously dissatisfied with their lot; and a number of poor white people, serving the masters as overseers, helpers, etc., or drifting idly as "poor white trash." In short, it was a civilization identical in almost every respect with the classic civilization of ancient Greece and Rome, which after twenty centuries reappeared on this continent. Such civilization inherently is agricultural, relying for its industrial products on foreign trade, and free trade thus was the necessary requirement of it.

Entirely different was the colonization of the Northern States. Small individual farmers and traders settled in New York, Pennsylvania, New England. The climatic and agricultural conditions were unsuitable for negro labor, and

slavery thus never gained a foothold, but individual freeholders settled and lived together in small communities, eking out their living from the rather poor soil of the Northern States, or by hunting and trading with the Indians, or sailing the oceans.

It is in these communities of the early colonial days in the Northern States, that our present American Government originated with its great fundamental democratic principle that "all men are born free and equal" and "that "government can exist only with the consent of the governed." But here also the foundation was laid of the terrible defect of our Government which has made it a byword of inefficiency throughout the world—the "rotation in office for the distribution of spoils."

Historically, the nearest analogy to this early colonial society of the pioneer days probably is found in the organization of the German tribes in the pre-feudal days, in the later days of the Roman Empire; an aristocratic democracy, small communities of citizens, equal in rights and freedom, similar in occupation, knowledge, and experience, though differing in their standing in the community, their influence and authority; very strongly individualistic

and self-reliant; trained by experience and necessity to take care of themselves in fighting against the hardship of their existence, against the barren soil, unfriendly nature, hostile Indians. Little help was to be expected from a Government which was practically non-existing; locally the loosest kind of government, essentially a voluntary co-operation with little mandatory power, and far away across the ocean a central government in the English king, which essentially limited itself to foreign relations, but took little part in the local issues of the community, and where the British colonial governor attempted to govern the internal affairs of the colony it usually was a failure and led to resentment and opposition, and finally to the Revolution. Thus the relation of the American Colonies to the British king was similar to that of the German tribes in the pre-feudal days to the Augustus in Rome as their far-distant overlord.

In the small agricultural community of the Colonial days, consisting of citizens of similar occupation, character, and intelligence, any member of the community could carry out the simple functions of the Government about equally well, but the office was a duty rather

than an honor, and however little time it demanded, it would have been unfair to ask the same citizen to carry it for many years.

Thus in those days and under this simple form of social structure it was natural that any intelligent citizen was considered eligible to any office, but that the office-holder changed at every term.

Thus became ingrained in the American national character the conception that any intelligent citizen can fill any office, and that it is desirable to change the office-holder at every election.

While this was feasible and worked satisfactorily in the simple colonial society, it has become a serious handicap in our present highly complex civilization. When in rapid succession a theater-director, a physician, a minister, a lawyer are placed in administrative charge of a municipality—all good men and true, but none of them by professional experience qualified to the administration of the municipal corporation of to-day—or where a barber is placed in charge of the city water-works, a saloon-keeper in the administration of the public works, no matter how capable, honest, and intelligent the men may be, the failure of any professional qualifi-

cation, the absence of the knowledge and experience required for the efficient administration of the office necessarily must lead to the incompetency and inefficiency which we see displayed throughout all our political life; and when, then, the incumbent in the office is changed by the election or appointment of his equally incompetent successor, just when he begins to understand a little of the duties of his office, the necessary result is the failure of political government, which is the characteristic of our nation.

This is the bad inheritance from our early Colonial days, which we shall have to overcome to reap the full benefit of the great principles created then and later laid down in the Declaration of Independence and in the Constitution.

Politically, the first period in the history of our country represents its consolidation as an English-speaking nation: the Dutch, French, Spanish, etc., colonies were absorbed or forced into a position where they could no longer threaten the supremacy of the English colonies, and wars between European nations could no longer be waged on American battle-fields. Hereby the American colonies were withdrawn from all direct interest in the controversies

fought out between European nations, and their relations with the "Mother Country," England, thus became the predominant issue. No longer disturbed by the reflection of European wars, the colonies grew in strength and self-confidence, and when England failed to recognize their claims to control their own destiny, the Revolution was the result.

It left the colonies independent, but as thirteen separate nations, and the issue then was whether and how far they should co-operate. They might have remained independent and separate, other nations formed on the continent, and what is now the United States would have become a number of separate and independent nations, just as South America is to-day, with constant rivalries and contentions. Fortunately we escaped this; the Union was formed by voluntary co-operation of the thirteen States, and ever since the progress toward closer co-operation and centralization of the nation has gone on steadily.

However, as the States had voluntarily entered the Union, so, naturally, it might be held that they could withdraw again from the Union whenever they desired. Thus when in 1812, during the unsuccessful war with England,

delegates of the New England States met at Hartford and seriously discussed the advisability of again becoming British colonies, the withdrawal from the Union did not appear such treason as it seems to us now. Even when, in 1860, the South lost control of the national Government and the Southern States withdrew from the Union and formed the Confederation, many people considered that they had the right to do so and recommended to let them go. Fortunately, better counsel prevailed. Otherwise we would have two nations, and in the agricultural depression of 1893 the North would probably have split again into an industrial East and an agricultural West, and with three nations with different and antagonistic interests dividing the continent, America would have been led into the same path which Europe followed, with the same result.

Thus it was Lincoln's administration which established forever the principle, "The Union, One and Indivisible." It was this issue which was fought out in the Civil War, and the Civil War thus created the American *Nation*, not the Revolutionary War; the latter made the States independent of England, and thus separated the development of America from that of Eu-

rope, but it did not yet permanently settle the character of the American development, whether it should be that of a stable, peaceful nation, or an equilibrium of nations balancing on the sword's point, like Europe.

The development of the South as a stable, civilized community antedates that of the North, and during the period from the Revolutionary War to the Civil War, the South governed the Union. However, the classic organization of the South was that of a low population density, while the individualistic society of the North is capable of far greater population density, with its numerous small farms operated by citizens instead of the few large plantations operated by slave labor found in the South.

But the New England farms, never very fertile, became more and more exhausted, hunting ceased with the disappearance of the game, the Indian trade vanished with the Indian, and when the population penetrated farther into the interior of the country, the ocean-carrying trade contributed less to the support of the nation. Thus industrial development appeared the only saving of the steadily increasing population, and the numerous small water-powers

along New England's mill-streams invited. But there could be no successful development of industries in competition with England's established superior industrial power, without protection of the new industries by tariff laws.

But the agricultural South required free trade for the exchange of its crops against England's industrial products.

Thus the issues were joined between the free trade demanded by the South and the protective tariff required to raise the industries needed for the support of the North.

The South controlled the Government, but the North was growing more rapidly in population, and all efforts of the Southern statesmen politically in charge of the nation could not forever postpone the day when the North got control of the Government, with Lincoln's election.

The emancipation of the slaves broke the power of the South by destroying its labor, and the South was ruined, the classic period of our civilization ended, and the individualistic era of industrial capitalism ruled supreme on this continent.

For many years the South was conquered territory, received the treatment which now

the conquered nations—Belgium, Servia, Egypt —receive, while the North, protected against England's competition, and with the vast territories of the West and the South as assured markets, rapidly developed its industries.

For a generation the South was suffering in poverty, then, in the 90's, came the beginning of the new South and the decadence of the New England States.

The industries had advanced to such manufacturing units that the small mill-streams of New England did not satisfy the power requirements any more, while the numerous large rivers of the South offered abundant power. Electrical engineering had advanced far enough to make the place of the power consumption independent of the source of power, by long-distance transmission, and the same economic laws which had taken the cotton industry from England and transferred it to New England, as nearer to the source of supply of raw materials and of demand for the finished products, these same laws now began to withdraw the cotton industries from New England and locate it in the Southern States within the cotton-fields, and the New England mills began to languish, the Southern cotton-mills increased and multi-

plied. In 1894 the first electrically driven cotton-mill in the South started at Columbia, N. C., built with Northern capital. The next year the Peltzer Mill, owned by Southern capital, started electrical operation, and since that time the South has rapidly become an industrial country, like the North a generation ago; cheaper power, better and cheaper raw materials, cheaper living conditions in the Southern climate, gave all the advantage to the South, while New England had to find its saving by the increasing emigration of its population to the middle West and the far West of our country, and New England's farms are standing abandoned.

The antagonism of interests between the South and the North, which caused the Civil War, thus has vanished before the industrial development of the South, made possible by electrical power, and the only differences still remaining are those due to the later industrial development of the South, which thus far has failed to protect its labor supply by adequate educational laws, and laws against the exploitation of child labor and women labor. These are now the issues, and are the black marks against the present South—illiteracy, exploitation of

children and of women. Just as the industries of the North prosper in spite of the withdrawal of the children for education, and the limitation of their exploitation, under the still more favorable conditions of the South the same will be the case.

IX

AMERICA IN THE INDIVIDUALISTIC ERA

DURING the Civil War, when industrial capitalism extended its sway over the entire United States, and in the years following the war we were in the first period of the individualistic era, that of numerous small and independent producers, all more or less successful, due to the still almost untouched resources of the new continent. Then we had a large, prosperous middle class, and little difficulty existed for any man with a fair amount of intelligence and ambition to rise to independence. These were the golden days, to which our individualists hark back, which our legislatures and governments attempt to restore by legal enactments. But the world does not stand still, for standstill is death; in free competition, the more successful producers destroyed the less successful ones; companies and corporations formed and absorbed or defeated the individual

producers, the larger corporations absorbed or vanquished the smaller ones, combined with each other in still larger ones, and so, by the working of inexorable economic laws, the consolidation of the industries progressed from numerous small producers to the formation of huge corporations, with competition steadily growing more strenuous, more intense, and more destructive.

Finally, in the 90's the end was reached; especially in those industries which had been organized into a few large corporations. The necessity of keeping the factories going, with the steadily increasing excess of productive capacity over the demand for the products, had made competition so vicious that it threatened with destruction the victor as well as the vanquished, in a universal wreck of the industry.

Thus co-operation had to come, of necessity, to avoid the destructive effects of competition.

Thus co-operative agreements between formerly competing corporations came, and the individualistic era seemed to approach its end, the co-operative era to arrive.

The fundamental principle of industrial co-operation between corporations in the same or

similar fields comprise *control of production; control of prices; interchange of information.*

Control of production means: Elimination of the constantly recurring periods of business depression and business boom, by restricting excessive production in boom times, and maintaining production in times of impaired business confidence by manufacture for stock, by encouraging consumption by means of long-extended credits, acceptance of stock in payment, financial assistance for starting new enterprises and extending existing ones, etc.

Elimination of unrestricted competition is accomplished by dividing the production between the corporations in a definite percentage based on their previous business, or their capitalization, or their producing facilities; or by dividing the business territorially, or by dividing it by the character of the manufactured products, etc.

Control of prices means: Agreement on the same prices by all producers, either by definitely fixing such prices, where such is possible, with periodic readjustment; or by an agreement on the methods of computing selling prices from the individual items of the cost of production, etc.

Agreement on the legitimate profits of the middlemen, by fixing the retail prices, etc.

Interchange of information includes: Interchange of technical information and experience between manufacturing and technical staffs, joint use and interchange of patent rights, trade-marks, etc.

Mutual consultation on administrative problems, commercial and financial questions, etc.

Mutual holdings of stock of the corporations, interlocking directorates, etc.

Practically all these necessary requirements for safely guiding our industrial prosperity from the competitive age, which has failed and is dead, into the coming co-operative age, have been outlawed by our Government.

The result is that from the beginning of this century, when the corporate development of industry was arrested by the interference of the Government, instigated by a misguided public demand, our industrial development has not progressed, but lapsed back; the industries have grown larger, the corporations financially more powerful, but as an industrial nation we have gone backward with increasing rapidity. Competition has not been restored; no political law can resurrect a corpse, and while you

can forbid co-operation by legislation, you cannot by law order people or corporations to commit suicide.

The result thus has been increasing disorganization, interference, inefficiency, and waste, leading to an industrial chaos just as regrettable for our national welfare as unnecessary.

What were the causes for this forcible arrest of the natural industrial development of our nation, which threatens its future welfare, nay, even its existence?

While in other nations the industrial development was fairly uniform throughout the nation, in our nation the development in the Eastern States was about a generation ahead of that in the middle West and the West. Thus, when in the East the corporate organization approached the co-operative stage there was still a large class of small, individual producers in the West who felt their existence threatened by the rise of corporate industrial power, and were ready to fight the corporation by all means, political and otherwise, in the vain attempt to avoid the inevitable, the extinction of the small producer before the higher efficiency of organized corporate production. Add thereto the

not negligible independent middle class, which still exists in the East, and all those who have tried and failed, and therefore naturally hate those who have succeeded in organizing big production, and we get a formidable political power; but, however much we may sympathize with the individual who desires to preserve his industrial independence, it is a reactionary movement, however progressive some of its leaders may call themselves, and either the reactionary forces must be overcome by education and otherwise, or the nation's progress is threatened.

An equally serious enemy to the progress toward co-operation is the strong individualistic temperament of a large part of the American citizens, especially those who come from Anglo-Saxon descent; the attitude of mind which rather wishes to be the first in a small puddle than the second in the wide ocean; temperaments who prefer to be president of a ten-thousand-dollar business rather than assistant to the president of a hundred-million-dollar corporation. We must also consider that many of the organizers and corporation leaders are pronounced individualists, do not understand what they are doing and whereto the path

leads into which economic laws forced them, and thus leadership in the transition from competition to co-operation by men understanding the industrial situation and its needs has often been lacking.

Then there was antagonism of the labor interests, unjustified and illogical, indeed, since all labor organizations are based on the principle of co-operation. However, they feared the greater power of organized industrial capital and point to powerful corporations who have kept unionism out of their works. And in the days when this popular resentment against corporate organization originated, there were some industrial controversies fought to a finish by the corporations, to the suppression of the labor organizations, possibly beyond the point where social wisdom should have called a halt in the interest of future co-operation and friendly feeling with the masses of the people.

One of the most serious causes of the rise of popular resentment against the corporations was the character of the corporation itself, especially in the early days, its crudeness and inefficiency, which in many cases led to a failure of realizing the advantage expected from co-operation. There is no constructive supervisory

power, in our country, as was represented by the central Government in Germany; our Governments, from the federal down to the municipal, are not organized for constructive activity, and thus their entrance in the field is largely inhibitory, liable to disorganize by interference. The tariff wall excluded the check afforded by competition with other nations. Thus over-capitalization was frequent, and seriously handicapped some corporations for years, until their business had grown up to their capitalization. Sometimes the over-capitalization was intentional; water, or the result of excessive organization charges; but the most frequent and most serious, because unavoidable, cause was the necessarily excessive cost of absorbing smaller competitors; the price usually is not the value of the competitor's business; often this is *nil*—but is based on the harm which the competitor could do in unrestrained competition, before it is destroyed. Thus millions have been paid for competitors which brought in practically no assets, and still it was a good bargain, since still more millions would have been lost in fighting the competitor.

Occasionally even competing companies have been organized, not for honest industrial pro-

duction, but for forcing an established corporation to buy it out—a kind of blackmail against which no protection existed.

Thus the industrial consolidation was accomplished at heavy sacrifice in capital, and corresponding sacrifice in economic efficiency. Another incident in causing public hostility was the wreckers—those financiers who organized or got control of corporations, not for industrial production, but to get quickly as much out of them as possible, and then abandon them, squeezed out and wrecked. Some names of the previous generation are still remembered.

A most serious cause of the popular antagonism was the failure of the corporation in one of its most important activities, that of the social relations to its employees and to the public at large. In those early days the leaders and organizers of corporate production were altogether too much inclined to consider the corporation as their own private property, and felt that paying such wages as they had to pay to get efficient workers comprised all their relations to the employees, and that toward the general public they had no obligations at all. But while against the individual small employer of Lincoln's days the individual employee or

the public could help themselves, they became helpless against the corporate power of organized industry.

The first time this was forcibly impressed upon the public by the great anthracite-coal strike, when miners and mine-owners could not agree, and as the result the people of New England suffered, their children died from exposure, until finally the Federal Government had to interfere in the "private relations" between employer and employee, in the interest of public welfare. The change brought about by the corporate development, in the power relation between the individual employee or the general public and the industrial employer, necessarily placed upon the corporation the duty to establish an efficient equivalent for the self-help of the individual. This is now gradually being recognized by the corporations, and more and more the social (and educational, as part thereof) relations with the employees and the general public have become a recognized part of corporation activity. But it took a long time for the corporations to realize it, and great harm had been done in the mean time to the relation between corporation and public.

It is in this direction that we must hope for

the bringing about of a better understanding between corporate industrial organization and the general public.

To a rapidly increasing extent the industrial corporations thus realize their social duties, perceive that the establishment and preservation of harmonious social relations between the industrial corporation and the public, including its employees, is an essential and important part of corporation activity. Nevertheless, in most corporations this activity is still very far from what it must be to restore industrial peace. We need only to look at the names of the men who are in charge of the social activities of even very progressive corporations, and we cannot fail to realize that very often they are not the same class of men, not of the same caliber, as the men in charge of the technical, the administrative, and the financial activities of the corporation.

However, there is a rapid progress noticeable in this direction.

All this makes us realize that the present wide-spread hostility against corporations is not the work of irresponsible demagogues, but is the result of causes, deep-seated in our national and industrial development, and therefore re-

quires the fullest attention of industry's most competent and able leaders.

The powerful, co-operating group of corporations, controlling an industry or a group of industries, if in the control of irresponsible men for selfish purposes, is a far more dangerous menace to the public than were the isolated small producers of bygone days; but so is a sharp-edged tool far more dangerous in the hand of the vicious or criminal than a dull one, and still nobody but a fool would dull his tools when he desires to accomplish results. But this is exactly what we as a nation have been doing steadily during the last eight years: we attempt to destroy by legislation modern industry's most efficient tool, outlaw all the actions which are necessary for industrial efficiency, and gradually get into the hysterical state where we begin to consider mere bigness and efficiency as criminal.

In the mean time the old world has gone to pieces in Europe, and a new one, an era of co-operation, begins to rise from the ruins. Germany already has organized its industries co-operatively, has encouraged and almost enforced by governmental acts all those co-operative activities of corporations which we have out-

lawed, and an industrial efficiency resulted which became a menace to the individualistic nations and led to the war, as discussed before. England is reorganizing co-operatively its industrial and financial system, apparently unnoticed and unobserved by us, at least in its significance, and is progressing in it at a rate of which we do not dream, and against the new Europe, as it will emerge from the war, our nation, with its present suicidal policy of industrial self-destruction, will be hopelessly outclassed.

This is the real danger which the European war threatens to us—not a foreign invasion—quite likely this is the last great military war the world will ever see, but an industrial war, and the destruction of a continent, our own America, by the high economic efficiency of the co-operative industrial organization of the nations tried in the fire of the European war—unless we awake in time, and prepare—not battle-ships and armies, however useful they may be in their limited sphere, but friendly relations based on the recognition of their interests, between all really progressive elements of society, finding their expression in legislation that will advance instead of retard industrial co-operation.

X

PUBLIC AND PRIVATE CORPORATIONS

OUR governments, as now constituted, are not adapted for efficient constructive work. The smaller the governmental organization and the more, therefore, there is an opportunity for constructive work, in a democratic nation, the more this is evident. Much efficient constructive work has been done by the Federal Government; the Panama Canal, the reclamation work, our Army and Navy, as far as they have been left free from civilian—that is, political—interference. Some constructive work also has been done by States, but it rarely has been characterized by economic efficiency; compare the building of the New York State Barge Canal with that of the Panama Canal. In the smallest political organization — municipality, township, or village — inefficiency, waste, and incompetency have been customary, except in those rare cases where one strong man got

control and remained in control for a sufficiently long time to accomplish results; but then it was not democracy, but Cæsarism, or "bossism," as we call it, which scored.

The reason which is usually given for the inefficiency of our municipal governments is their control by politicians, the control of the elections by the political party machines, and a strong and increasing sentiment has arisen among the better class of citizens, toward improving the efficiency of the municipal government, by change of the form of government. Various forms of such reform government have been devised, as "commission government," "city manager government," etc.

The general characteristics of these reform governments are:

A longer term of office, five or even seven years instead of the two years' term now customary in most municipalities.

Elimination of the periodic complete change of the government; at every election only a part of the officers is changed, and a greater continuity of the administrative body is thus secured.

Much greater power, authority, and responsibility of the officers.

A small number of elective officials.

Election by persons, without recognition of political parties.

Elimination of district representation by choosing all officers by election from the community at large.

Referendum and recall.

The last feature, however, is objected to by many conservative citizens, as dangerously radical, and thus not included in many commission governments.

The experience was that such commission governments, when introduced, almost always were successful in the opinion of the leading citizens, gave a great increase in economy and efficiency of the municipal government, an absence of control by political bosses and party machines; in short, were a great step in advance.

But now many of these commission governments have been in existence for a considerable number of years, and from these reports come in which are not always favorable, and claims have been made regarding some commission governments that they are more inefficient and unsatisfactory than the political government which they replaced, and some communities have

abandoned commission government and gone back to the old form of government.

The question then arises whether the economic success of the change from political to commission government was really due to the form of the new government, or whether it was merely the result of the change which disorganized the forces that made for inefficiency and waste. Gradually during the years these forces adapted themselves to the new form of government, got control of it, and it became just as bad as the previous form, or even worse, due to the greater power of the officials and their longer term of office, which increased their irresponsibility.

Municipal government by party machines controlled by irresponsible political bosses is bad; but it is a rather significant fact that where the citizens "rose in their might and turned the rascals out," and elected a reform government, fusion government, citizens ticket, etc., such government often has been worse than the "corrupt" political government which it replaced, and incompetency, political and social inexperience, and reformatory hobbies have resulted in still greater inefficiency and waste.

It is interesting to note that our country's greatest city has for a century been controlled

by the same irresponsible and "corrupt" political organization, and however often reform movements have wrested the power from the hands of Tammany Hall, it has always come back, and often with such an avalanche as to leave no doubt of the failure of the reform government.

There may be some reason in this; the political boss desires to remain in power, the political machine expects to be in existence and retain its control for generations, and this means some responsibility, however indirect. It imposes a control and limitation in the abuse of power, which does not exist with the individual reformer who is not restrained by any responsible power from carrying out his ideas, whatever they may be. It again is significant that where fusion administrations by several parties have won elections, almost always every one of the "fused" parties have disclaimed responsibility for the elected officials.

The great trouble with political reform is that it is rarely based on successful practical experience, but rather represents the academic reasoning of well-meaning, but often rather inexperienced and impractical, dreamers.

The logical and, therefore, most promising, and, at the same time, most natural method of

remedying unsatisfactory results, is to look around where the same or similar conditions exist, but the results are satisfactory, and then apply, or adapt, the methods which have given satisfactory results, to the conditions where the results have been unsatisfactory. It is strange that in all the agitation for improving the efficiency of the municipal corporation, in all the studies of commission government, municipal charters, etc., very little thought has been given to those forms of government which have proven satisfactory, efficient, and economical—the governments of the industrial corporations.

The municipality is a public corporation, owned and governed by the citizens; the industrial corporation is a private corporation, owned and operated by the stockholders. In size and capitalization, many industrial corporations are far larger than the average municipal corporation; many smaller. Thus there is no essential difference in size. But the municipal corporation, as a rule, is inefficient; the private corporation efficient. What, then, is the difference in their government which makes the difference between efficiency and inefficiency? The frequent elections, the short term of office, two years, in the municipal corporation is consid-

ered one of the causes of inefficiency, and in commission government charters we thus extend the office term to five years. But the industrial corporation elects its directors every year, thus has a still shorter office term, and still it is efficient! District representation is another alleged cause for inefficiency, and therefore often eliminated by reform charters, and all officers chosen from the city at large. But every corporation which owns a number of factories has representatives of its different factories, of its different manufacturing interests, its different other activities in its governing boards. Referendum and recall are considered dangerously radical novelties by many; but their principle is old and stale in the corporations, and every board of directors, every officer, would resign at any time on demand of the majority of the stockholders.

What, then, is the difference between corporation government and municipal government which gives the former the efficiency not possessed by the latter? In the corporation, at every election, every director, every officer, is reelected, as a matter of course, unless the owners —in this case, the stockholders—are very much dissatisfied with the management of the cor-

poration, and desire to make a radical change, and this occurs very rarely. In the municipality, however, as a matter of course, the officers are not re-elected, no matter how much the owners —the citizens—are satisfied, but it is customary to change officers at every election, except in rare cases.

Thus the corporation government is continuous, and thereby efficient; the officer knows that if he acts right he will remain in office as long as he wishes. He can, therefore, plan and organize, and accomplish results. The annual election thus is essentially an official referendum and recall vote, insuring the responsibility and response of the officers to the owners' interests.

Compare this continuity of management with the biennial overthrow and more or less complete change of all the administrative and executive organization, policy, and experience, occurring in the municipality, and the reason of the inefficiency of the latter, the efficiency of the former is given. Unfortunately, the tendencies for governmental reform are very little in this direction in which efficiency has been proven, but rather are in the opposite direction, to lengthen the office terms—thereby increasing the irresponsibility—and to discourage

re-election, often to such an extent as to make it illegal; as if it were not the most foolish thing imaginable, if you have a man who is competent to do a thing, has the experience, and is willing to do it, to put him out of the office and put a new man in who has no experience. The argument that it is dangerous to re-elect the same man many times, since he may establish himself permanently in power, might have had some justice in the days of Washington, but certainly is silly to-day.

Thus, to make our present municipal governments most efficient, as efficient as corporation governments, would require abandonment of the custom of changing officers at every election in favor of the custom of re-electing the same men as long as they are reasonably satisfactory, after picking out good and efficient men at first. But no change of the form of municipal government is required, except, perhaps, that to annual election instead of biennial.

However, the custom of rotation in office—often for the distribution of spoils—is so inborn in our nation, has so much become a habit, from the early Colonial days when it was the natural way, that it does not appear probable that it could be changed, at least, not very soon; but

as long as this is not done our municipal government will remain inferior to our corporation government, in constructive work, no matter what other improvements are made in our political governments.

Very few of the improvements proposed in the government of our municipalities are new; most of them are old and long established in the industrial corporation governments. For instance, proportional representation and minority representation. It does not exist in most public elections. A small change in the vote, therefore, shifts majority to minority, and catastrophically reverses all governmental policies, as the result of an insignificant percentage of voters changing their views and thereby converting a narrow majority into a minority. As a matter of course, every efficient corporation has always given representation in the board of directors to any minority of stockholders large enough to be entitled thereto; it would not have been efficient, thus would have been an economic disadvantage to exclude a minority from representing their views in the board, and proportional representation, which includes minority representation, has always been the aim of corporation management.

XI

DEMOCRACY AND MONARCHY

AS seen in the preceding chapters, a reorganization of our nation's industrial-political system is inevitable, if we hope to retain and extend our industrial prosperity against the highly organized and efficient co-operative systems of industrial society into which the European war is forcing the nations. We will have to stop our muddling, our interference of everybody with everybody, and prepare to meet Europe by a still more efficient co-operative industrial system.

How can we organize such efficiency of industrial co-operation? What forms or shapes must such organization assume in our nation? It is a matter of evolution, of which we cannot foresee the end, but one thing we can see with certainty, and that is, how not to proceed; we cannot copy European organizations and hope to be successful. It would, indeed, be an easy

task if we could. We all realize that Germany had reached the highest industrial efficiency before the war, and thus it would appear natural to copy the German methods, the German organization, and thereby expect to get the same efficiency. But the industrial organization which has been so successful in Germany, if attempted in our country, would, in all probability, be a disastrous failure. We may just as well realize this, as there is a strong sentiment in our country to copy European ways, especially now, when the need of preparedness to meet the European nations after the war has been so forcibly impressed upon us, that many of us have lost all perspective and hysterically call for doing something or anything, however foolish it might appear on calmer consideration.

Methods of organization and industrial progress which have been successful in Europe cannot be successful in our country, nor can American ways be transplanted to Europe and there give the same results as here, because our national temperament is entirely different, is, indeed, the opposite of that of all European nations. America's national character is democratic, while that of all the European nations, from republican France to constitutional Germany

and autocratic Russia or theocratic Turkey, is monarchical, and between these two national temperaments there is an unbridgeable gulf.

The fundamental difference between the two national temperaments is best illustrated by considering the different ways by which a change, such as an industrial progress, is brought about.

In the monarchical nation the problem such as the necessity of vocational education, or of labor legislation, old-age insurance, etc., is discussed by individuals, societies; political parties write it in their platforms, etc.; but all this remains a mere academic discussion without results, until the central Government is converted to the new idea. Then the new idea is introduced by governmental order; the central Government makes the plans and establishes the organization; a federal bureau, with suborganizations in the states or provinces; below them others in the municipalities, etc. A part of the new organization is first introduced, as much as the federal Government considers advisable, then more and more, and so from the central Government the organization is extended toward the periphery, to the individual. Thus Germany's social and industrial progress was accomplished; until the federal Govern-

ment was convinced of the necessity of social legislation all the demands of the Social Democratic party were in vain as regards constructive action; though they obviously were the driving force which finally converted the Government. But when, finally, the Government was convinced, progress started and proceeded until the results were accomplished.

Entirely the reverse is the development and introduction of a new idea in a democratic nation, as ours. There is no strong federal Government which could force new ideas on the nation by governmental order, and even if laws could be passed to this purpose they would either be declared unconstitutional or remain a dead letter, like so many of our laws.

A new idea, a proposition toward progress, etc., is suggested by individuals. It spreads and is discussed by groups of individuals, and when it has made sufficient progress it is tried locally by groups of individuals, local societies, corporations, or municipalities. Other private or public groups also try constructively the new idea, usually in a different form, and finally it is tried in many different places, by many kinds of organizations. Thus vocational education is being tried to-day in our nation. There is an

enormous waste of energy by duplication of work, by repeating the same mistakes, etc., but gradually the more serious errors are recognized and avoided, the experience of previous constructive work is made at least partly available in later attempts. With the spreading of the idea it reaches larger organizations; national societies, state governments, groups of corporations, or entire industries. The results and methods of procedure are codified and information is exchanged, and when finally the new idea reaches the national Government it has been fairly well crystallized into the final form in which it is feasible, and dangerous errors and mistakes are eliminated, and if the federal Government takes action, it practically consists in what may be called standardizing best practice. But when this occurs, the new idea has long ceased to be a new idea, has permeated all the nation, and practically become a part of the national economy.

This democratic method is very inefficient, very slow in accomplishing results, and very discouraging compared with the rapidity with which progress is possible in a centralized monarchical nation. It has, however, the advantage that when results are at last accomplished

they are permanent, are a part of the nation, and especially—and this is the most important advantage—no great mistakes can be made, as the first constructive trials are on a small scale, and thus any errors and mistakes limited in extent, and when the idea becomes national in scope, all serious errors have been eliminated by the experience of constructive work in smaller scope.

Thus the monarchical method is superior by getting quicker results, but a mistake is liable to be a national disaster. The democratic method is slow, but safe. An illustration hereof is social legislation. We realize that the most serious problem before our nation, which must be solved before we can hope for efficient industrial reorganization, is to secure the active cooperation of the masses, those who are becoming increasingly indifferent, if not antagonistic, to the maintenance of existing society. The German Government has solved this problem by eliminating the three great fears of the masses by an effective social legislation. The result was that when called upon for national defense even the "revolutionary" Social Democratic party, with its millions of members, stood solidly—and actively—behind the Gov-

ernment, a phenomenon little understood in other nations, even by the socialists. We have been muddling with this problem for half a generation, and conditions are becoming more unsatisfactory, rather than better. Here the monarchical method seems to have shown a vast superiority, accomplished results, where we have failed thus far. But was it really so? Before Germany started its successful social legislation it had tried, under Bismarck, to solve the problem, in the true monarchical way, by forcibly suppressing the elements which were becoming indifferent and antagonistic, and had split the nation in twain, made millions openly hostile to the nation. At the end of the ten years' war against socialism, when revolutionary socialism had even entered and permeated the army, if then Germany had been involved in a serious war it would have gone to pieces at the first blow. All that would have happened which those unfamiliar with the changed social conditions of Germany expected to happen and failed to see at the beginning of the present war.

Thus it cannot be said that the democratic method—from the individual toward the central Government—"concentral," is inferior, nor

that it is superior to the "decentral" monarchical method—from the central Government toward the individual.

But it can be said that the decentral method is the only feasible and only possible one for a nation of monarchical temperament—that is, for any of the large European nations, and the concentral method is the only feasible one for a nation of democratic temperament like ours, and decentral methods thus are unsuitable and impossible for a democratic nation—that is, we cannot copy Europe's successful methods and hope to succeed.

Our nation is the only large democratic nation, thus we have no example which we can follow, and the problem of our industrial reorganization thus is a far vaster one than it appears at first; we have to find new ways and means, accomplish a thing which has never been accomplished before—co-operative organization of a democratic nation. Democracy itself thus is on trial before the judgment of history; if we fail, democratic America ends as a world power, is an unsuccessful experiment in the world's history, and the world goes back to monarchical forms of organization—even if they should call their ruler "President," and play at elections.

XII

EVOLUTION: POLITICAL GOVERNMENT

OUR nation has been fairly prosperous and successful thus far, in spite of our previous and present method of dealing with social, industrial, and political problems, which is no method at all, but mere muddling. However, we had no serious foreign competition to meet; we had at our disposition the vast and untouched resources of a virgin continent, the intellectual stores of the Old World, and the continuous supply of skilled and unskilled labor, in the despised immigrant, who, after all, has made America what it is to-day. The most desirable immigration — from England, Germany, Ireland, Scandinavia—practically ended years ago, and now, as the result of the war, all immigration threatens to stop, except perhaps that from the least desirable nationalities. Intellectually, our nation has now advanced so far and on a path so divergent from that of

Europe that we cannot expect much further help. The resources of our continent, which appeared inexhaustible to the early settlers, are practically exhausted, and the time is nearly here when we will have to stop living as a parasitic nation, consuming what we have not produced, but we will have to live on our income; putting into the soil as fertilizer what we take out as crops; planting and raising the trees which we cut down for lumber; raising the food which we feed to our sheep and cattle, and that with a reorganized, highly efficient Europe in competition.

In our industrial age the essential requirements of an efficient national organization comprise: Continuity, competency, and responsibility of the administrative organization.

In our complex civilization, it usually takes years before any work undertaken by an administrator is completed, many more years before its results are seen. Thus when the administration changes frequently, as in our political offices, constructive work is done blindly, started by men who never can follow the work to completion, see the results appearing and direct or modify the plans to secure the desired results most effectively; or men are called upon

to continue and complete work which they have not started, which they possibly only incompletely understand, or with which they are out of sympathy. It is only in those side lines of our political government where the office is held more continuously, under civil-service rules or because the office is not sufficiently important to warrant its inclusion in the "distribution of spoils," that constructive work is accomplished, as in the building of the Panama Canal, the reclamation work by the Federal Government, some of the supervisory work by State commissions, etc., and even in these there is the continuous danger of political interference, of the work of many years being undone, or perverted to vicious purposes by some temporary political influence. It is so much easier to destroy than to construct; it takes so long a time to accomplish constructive work, and so short a time to destroy the work of many years.

Thus there can be no efficiency without continuity of the administration.

That competency of the director of the work is necessary for the success of any work is so obvious that nobody would think this even a subject of discussion, but as a matter of course, in legal matters everybody employs a com-

petent lawyer, in matters of health a competent physician, in matters of administration an administrator. But, strange to say, as soon as we come to the consideration of political offices we disregard all these obvious and self-evident truisms, and have no hesitation to place a man who has failed in every business he undertook, in charge of the business management of the municipality; a man who cannot run his own household, in administrative charge of the community.

If, then, continuity of office, held by competent men, is necessary for the efficiency which is the fundamental requirement of successful co-operation, there must be an effective responsibility, at least until such time when all men are angels, or at least sufficiently many that all offices can be filled with men who are and remain unselfish, industrious, progressive, and beyond the possibility of being perverted by the power of office.

What, then, are the structural elements in our American nation from which a continuous, competent, and responsible government could develop by evolution—a government such as is required for the efficient industrial co-operation of all citizens in the interest of all, under democratic principles?

In such organization there can be no industrial competition, but by the co-operation of all producers duplication of work and all waste effort is eliminated. The production is controlled to correspond with the legitimate demands for the product, and all production for mere profit, without regard to the demand for the product, ceases, and with it all organization for the purpose of creating a demand where it does not exist. As a matter of course, this eliminates the periodic fluctuations of production, which give rise to the successive periods of business depression and business prosperity, and which are the bane of our present chaotic industrial system. In engineering, architecture, design, etc., instead of a number of men doing the same work independently, necessarily inferior, due to the limitation of each individual, and then having somebody select one of the propositions—often somebody who himself has not the professional qualifications to judge which is the best—one proposition would be made by the co-operative effort of all the men competent professionally, and so embodying the collective experience and knowledge of all. Instead of having a number of separate and competitive sales organizations, each describ-

ing and representing—or misrepresenting—their product, with the result that the prospective user gets little reliable information, one organization will supply complete and correct information, as there is no further reason to misrepresent, no reason to dwell extensively on the favorable features, and omit altogether, or skip lightly over the unfavorable features, but every interest is toward correct representation of all features.

Competition between industries would cease; thus, in transportation, the country's waterways would be used to the fullest extent, in combination with the railroads, and no interest would tend to deflect to the railroads what could more economically be carried by water, or inversely, and both forms of transportation would become much more economical by cooperation.

There would be no desire to graze cattle on lands adapted for wheat-raising, nor attempts to raise wheat on farms unsuited thereto, nor would forest growth be destroyed by sheep-raising, or the value of the river valleys, of the country's water-powers, be destroyed by reckless deforestation of the headwaters. With the same interests controlling all these activities it

is obvious that no activity would be permitted which does more harm in one respect than it profits in another, and no interference would be allowed between the different industrial activities, beyond that incident to human imperfection, and thus unavoidable.

All this is not a mere impracticable dream, but it has long been an established fact, has been the operating principle within all the more progressive large industrial corporations, and all that is necessary is to extend methods of economic efficiency from the individual industrial corporation to the national organism as a whole.

Thus there will be competition between water transportation and railway transportation, to decide which in each individual instance is more economical, considering quality of the transported material, distance, time, etc., while now the waterways may stand idle for lack of a railway connecting with them, or for lack of transfer facilities, or hundreds of millions are wasted in the construction of waterways which can never economically pay for their cost, but the only legitimate purpose of which is to keep the railroad freight rates down by their competition.

There will be competition, whether gas-engine

or electric motor is to be used, whether a local steam-turbine plant is to be installed, or power bought from a long-distance transmission system. But the decision will be made on the basis of the relative economy of the various propositions, uninfluenced by commercial or financial considerations alien to economy.

Financial manipulation for the mere acquisition of more money, without regards to constructive economical organization, necessarily must be impossible.

There must be an active co-operation between all producers, from the unskilled laborer to the master mind which directs a huge industrial organization. Such active co-operation presupposes that everybody feels personally interested in the industrial economy. This presupposes that the fear of unemployment, of sickness, and old age has been relegated into the relics of barbarism, and everybody is assured an appropriate living, is assured employment when capable to work, and protected against want, maintained in his or her standard of living, when not able to work, not as a matter of charity, but as an obvious and self-evident duty of society toward the individual.

This can be done by effective social legisla-

tion, as it has been done in other countries; it is being actively considered within our industrial corporations as well as by the public at large; some work in this direction has been done by legislation, more still within many industrial corporations, and the development of this social activity would probably have progressed still further in our corporations if the disorganization by legislative interference had not hindered here, as in most other directions, the progress of industrial organization.

It is obvious that "industry" here means not merely the manufacturing industries, but equally includes transportation and communication, agriculture, the animal industries, dairying, etc. —in short, all the human activities which deal directly or indirectly with the necessities of life.

The economic development of the world, accelerated by the world's war, has made such a co-operative industrial organization of our nation a necessity of self-preservation.

As structural foundation, on which to build such structure by evolution, in correspondence with our democratic national temperament, we have our political governments — Federal, State, and municipal—our large national societies, and our industrial corporations.

Of these, the political government is the only one which is all-embracing, is controlled by and responsible to all citizens, at least nominally. Therefore, while its constructive power may be practically *nil*, due to its form of organization, it has a vast inhibitory power, far greater than any other power in our country. We have seen this, and continuously see it in the action toward corporations, in the national conservation movement, even in the power exerted by subordinate governmental bureaus.

Thus, no organization which does not include the political government as an essential part of the structure can hope to succeed.

The natural suggestion, then, would be to have the Federal Government, with its subordinate State and municipal governments, organize, control, and administrate the country's economic-industrial system.

Thus the political government would acquire and operate all means of transportation and communication—railroads, canals, pipe lines, mail and express, telegraph and telephone. It would supervise and control all corporations and their relations with each other and toward the public. It would control the relation of employees within the corporations, by mandatory

arbitration, by unemployment, sickness, and old-age insurance; control the hours of work, and working conditions, etc. There is a considerable sentiment in favor of this organization, and this sentiment is growing in strength.

It can be done, because it has been successfully accomplished abroad, in Germany, and has united all classes of people, and given the economic efficiency expected from it.

However, in our nation it would require not merely that the political government take over the industrial control, as was the case in Germany, but a government would first have to be created, capable to do this, a problem which is far more difficult than that which Germany solved, and appears impossible with the democratic temperament of our nation. It presupposes a powerful, centralized government of competent men, remaining continuously in office, and no political government of this kind can exist in the America of to-day—nor in the America of to-morrow.

It is true that our political governments—Federal, State, and municipal—are steadily becoming stronger, undertake more activities, and successfully accomplish what they could never have undertaken twenty years ago; that a

higher class of men enter governmental service than formerly; that the quality of governmental work improves—graft, corruption, and mismanagement for selfish purposes steadily decrease. On the surface the latter may not appear so, and we hear as much to-day of political mismanagement and graft as we did twenty years ago. But if we look deeper into it we cannot fail to see that the reason of this is that many things are now resented by the voters as improper, and lead to political death of the office-holder, which twenty years ago were not noticed at all, but passed as natural and general characteristics of political office.

Thus our political governments are becoming better, stronger, and more capable of constructive work, and apparently are gradually progressing from the weak and inefficient government of the democratic nation, toward the strong and efficient government of the monarchical nations.

But is this really so, and are we really changing from the democratic concentral attitude toward the monarchical decentral attitude of governmental activity? Looking deeper into it, there appears nothing to warrant such assumption, but the increasing strength and ef-

ficiency of the political government is shown almost exclusively in concentral direction. That is, with the continuing development and progress of our nation, more and more problems, starting from individual effort and passing through group, municipal, State action, finally reach the Federal Government and require codification, on true democratic or concentral principles, and therefore of necessity created the more efficient governmental machinery required to deal with them. But where our Government has attempted to deal decentrally with problems, whether national, State, or municipal—that is, attempted to solve problems which had not been solved and completely worked out before on smaller scale by smaller organization—it has failed and is failing to-day. Such, for instance, is the case in the dealing with corporations, with the national conservation movement, etc.

Thus our national character and our Government have remained the same, and a solution of the industrial problem by the initiative of the political Government remains as improbable as ever.

Our national societies have done much successful industrial organizing work. Such, for

instance, as the engineering standardization, which was undertaken and accomplished by American national engineering societies, and from here has spread to other countries and is now concentrally beginning to reach our Government. The movement for industrial safety originated and developed in this manner. In the field of morality and temperance, national societies have been active, also, though perhaps not always wisely.

However, the organization of even the largest national societies necessarily is so limited that with the exceptions of certain definite fields of activity they cannot be counted upon for more than assistance and co-operation in the industrial reorganization of the nation.

XIII

EVOLUTION: INDUSTRIAL GOVERNMENT

THE large industrial corporation is to-day by far the most efficient organization, in spite of the inefficiency forced upon it by the political Government. It is still very crude and imperfect in many respects, and especially it is still greatly deficient in the social relations within the organization and toward the general public. If an efficient co-operative government is to be built up from the industrial corporations, the industrial corporation must first become united within itself—that is, the indifference and antagonism within the corporation must be overcome, and the same co-operative feeling brought about between the shop force and the administration which exists and always has existed in most corporations between the office force and the administration. That is, the welfare of the corporation must be made just as much to the interest of the shop force as it is to the interest

of the office force. 'Not that there should be no differences of interest between individual employee and corporation; differences of interest exist and will remain among the office men as well as in the shops. But those hundred thousands who only two years ago were thrown out of work by the business depression, were willing to work, but for many months could find no work, and saw their few dollars which they had saved, spent; those who had started paying for a small home and saw all that they had accomplished gone by the foreclosure of the mortgage, saw their families scattered and thrown upon charity, and all this without any fault of their own—to them existing society cannot appeal as the best possible one; they can hardly be expected to feel interested in the maintenance of a society in which they are treated thus, cannot be patriotic in the defense of these conditions; neither can the other hundred thousands or millions, who have escaped this time, but have the possibility of the same fate hanging over them. Thus the assurance of work when capable of working, the insurance of a living in their accustomed standard when not capable of working, are the fundamental requisites to secure interest in the maintenance of existing condi-

tions without which there can be no real patriotism, no real co-operation.

This has nothing to do with the broader question of socialism—that is, of the elimination of capital. Socialism has as many followers in the offices of our corporations as it has in the shops, and in no way precludes co-operation within the corporation; indeed, in some respects the corporation may be considered as the first step toward socialism, and the industrial government of the nation by the united corporations as preliminary and crude form of socialistic society.

But assuming the corporation united within itself, the public sentiment sufficiently educated to stop political government from its disorganizing activities, nothing would stand in the way then of organizing an efficient system of co-operative industrial production, not by some man's superior organizing power, but in the natural trend of industrial development.

With absorption of smaller corporations by larger ones, and consolidation to still larger corporations, the development proceeds until the industry is organized in one or a small number of very large corporations. There is no competition, but an executive committee of

representatives of the corporations or branches of corporations engaged in the same and similar industries co-ordinates and correlates the work of the corporations, decides on production, on prices, policies, etc. Executive committees with their members chosen from different industries take care of the co-operation of these industries, and finally an *Industrial Senate* as the supreme executive committee co-ordinates, controls, and directs all the country's industries—that is, governs the country. Thus, an industrial government would be established with an authority greater than the world has ever seen, and still without any mandatory power, not maintained by a police force, but based on mutual co-operation for everybody's interest.

Any corporation which does not wish to join or take part in the national industrial organization is free to stay outside, as long as it conforms to the universal policy, but if the outsider refuses to co-operate, co-operation is withdrawn from him, also, as "outlaw" or "scab" corporation, to use the expression of labor organizations. That is, the organized industries refuse to do any work for such an outlaw, or have anything to do with any work containing the product of the outlaw corporation. Rapid extinction

of such outlaw would obviously be the result, without any legal or mandatory power being necessary. If we realize how excessive capitalization of otherwise conservative corporations has been forced, by the necessity of buying up competitors at exaggerated values based on their potential destructiveness as competitors; how corporations have been organized for the mere purpose of holding up existing corporations for an excessive price in selling out—it is obvious that prompt elimination of any body attempting similar action is necessary in the interest of the general industrial welfare of the nation.

There is a certain glamour, to some minds, in the attitude of the one who defies the majority; the "American hero" who goes as strike-breaker to work where the organized employees strike; the individual manufacturer who breaks price agreements and undersells the others, to get the business at prices which conservative producers cannot meet, as they leave no margin of fair profit. But there is practically never any moral issue behind the action of the scab, whether individual or corporation, but it is the sordid attempt of getting an individual advantage at the cost of the others. It is the opposite of co-operation, and no efficient industrial sys-

tem can be built up, as long as such attitude has any chance to succeed even temporarily.

How would the officers of such national government by the co-operative organization of the industrial corporations be chosen? By popular election? Imagine the chief engineer of a manufacturing company elected by the majority vote of all the employees! Or the general manager, or the comptroller, or chemist, or bacteriologist, the mathematician, or designing engineer; it would not be democratic, but it would be chaotic. Not one-tenth of the employees are engineers and therefore capable of judging on the engineering qualifications, and their vote in electing the chief engineer would mean nothing; the elected officer almost certainly would be incompetent for his work, and the same applies to every other profession. Thus, where professional qualification is required by the office, popular election is impossible. But professional qualification is required for practically every officer within the industrial organization; nay, some qualification—professional, physical, or otherwise—is needed for almost every industrial position, from the unskilled laborer to the president, and popular election thus is impossible for any industrial position. It would mean

something only if every elector can personally satisfy himself that the candidate has the required qualifications, and this is not possible, since no elector can judge on the qualification of every position, and if he could the mere amount of time required to do so would exclude the possibility.

Granting, as the fundamental principle of democracy, that every citizen has the same right, the same voice and vote in the Government —and no nation like ours can continue successful without conceding this fundamental principle—it means that popular vote by majority must decide all general questions, all matters of policy which are of interest to every citizen, which every citizen can discuss and judge, such as the questions whether women should vote as well as men, whether our nation is ready and willing to police our entire continent and force its unruly Spanish-American republics to keep order and peace; but majority vote cannot decide professional questions or questions of fact, such as whether vaccination is necessary to protect us against smallpox epidemics, whether battle-ships or submarines are more effective, or whether some water-power can be developed economically or not.

Indeed, even the most radical exponent of unlimited majority voting realizes this. He may claim that everything should be done and decided by the majority vote, may in city government demand that every administrative detail be brought to decision by majority vote, that every city employee from the mayor to the unskilled laborer be elected; but if he himself is sick, he does not go before the political body and ask to elect a physician for him—but he himself chooses a physician in whose professional qualifications he has confidence. Or if his child is sick he would not think of asking the organization to vote whether it is measles or scarlet fever, but he takes the decision of a single physician in preference to any majority vote.

Should the industrial officials, then, be appointed? But who appoints the appointer? Within certain limits, however, in offices requiring professional qualifications, appointment gives better results. In a medium-sized town, for instance, the administration may employ a thousand people. If they all were elected not a single elector could devote enough time to find out the qualifications of every candidate for every place—even if he were capable professionally to judge on it. The result could be

imagined. But the mayor can devote enough time to select, by investigation and consultation with competent men in each profession, reasonably competent men as heads of departments; they, in the same manner, can select and appoint subheads, and so on, and a reasonable administrative efficiency could be secured—if the mayor is not prejudiced or led by motives other than administrative efficiency.

But herein lies the weak point of the method of choosing officers by appointment: it is so easy to abuse it for selfish purposes, for private or particularistic interests, to select from a narrow circle of personal or political friends, to abuse it for paying political or private debts. Personal inclination, if not prejudice of the appointing officer, has too large influence, and, at the best, gradually the method of appointment leads into control of the offices by a clique, a political machine, or group.

Thus neither majority election nor appointment is capable of giving efficient qualified officers, such as are necessary in the complex structure of modern industrial civilization.

There remains a third method—to have the officer elect himself for the office, or, as we usually say, "rise from the ranks." It is the

method which has been so successful in the modern industrial corporations, especially in the office force, and has given it the efficient, centralized, and at the same time flexible and progressive organization. It means that largely every employee makes his own job. If he can do larger work than his position requires, he does it, as a matter of course, and is allowed to do it, as it improves the efficiency of the departments in which he works, and thereby the reputation of his superior officers. Thereby he is virtually in a higher position, and the recognition thereof, by title and pay, follows as a matter of course. Thus we see in progressive industrial corporations people rise to higher and higher positions, beyond those at whose side they started, not by election, not by appointment or "pull," but by their own work, intelligence, and ability. Thus we also see, especially in those industrial corporations which require a considerable number of skilled or professional men, positions created or rather creating themselves, and men taking up work useful to the corporation which was not done before, or not done in the same manner, and that in the office as well as in the shops, and in every such corporation we can find men in offices which were

created for them—often will cease when they drop out. This is not always realized by the outsider, and it applies not only to a few exceptional men, but to very many in all ranks. It gives a chance for initiative and individual development within the corporation, which is now found very rarely outside, and is one of the most important factors of progress.

Thus more and more positions are filled, not by appointment by a superior officer, but by the man starting to do the work, doing it more and more, and so virtually electing himself into the position—and the final appointment then merely legalizes the established fact.

Naturally, this is not always the case, but equally often some man who shows qualifications superior to those required for his position is tried in some entirely different higher position where these qualifications are desired.

Thus, to-day there is no place where the chances are so good for every man to reach the highest power, to rise to the highest position which he is capable of filling, as in the large industrial corporation.

Naturally, we must realize, as stated before, that the corporate organizations are still crude and imperfect, and that there are many chances

to "get lost," to get into "dead-alley positions" and stay there forever, but this is getting less and less with the increasing development of the industrial corporation. Increased efforts are made to guard against it, as it is uneconomical for the corporation to use men in positions inferior to those which they could fill. Thus research laboratories have been established for men showing that they could do valuable research work; new lines of manufacture started because men happened to be specially interested and capable in that direction, departments divided or consolidated to suit the personalities of employees—that is, to use them at their best efficiency—and the industrial corporation is far from the inflexible, rigid machine which it appears to the outsider, who is not familiar with its working; it is this flexibility which gives it the economic power and strength.

In the national Government by the co-operative organization of corporations, there could thus be no election of officers, nor appointment, but the offices would fill themselves by men rising into them, following the best practice of our present corporations. The men interested in engineering would naturally drift into engineering positions, those with

administrative ability into administrative positions; those with knowledge and experience beyond the individual industry, into the field of correlation between the industries; the most capable organizers finally into the industrial senate. The whole organism would be essentially self-governing, consisting of a number of groups and sub-groups, and further sub-groups within the latter, each self-governing within its own activities, supreme within its own field of activity, subordinate in any other activity to the group into which the other activity belongs, and correlated with any co-ordinate group through joint committees or through the larger group of which both are parts.

There is nothing new in such organization, but it is in existence to-day in many larger corporations, is the outgrowth of economic laws working on the individualistic temperament of our nation. It is essentially democratic in character; there is no autocratic authority, but every member of the organization has a directive power within his field of activity. I have seen large contracts decided or modified by the opinion of a workman in the shops, who had to state whether a particular operation could be done easily or was difficult.

XIV

EVOLUTION: INHIBITORY POWER

THE industrial corporation of to-day is organized for effective constructive work; it has developed the characteristics necessary for economic efficiency—continuity of organization and at the same time flexibility to adapt itself in a high degree to the requirements of industrial production, and to the personality of its members; it has within itself the responsibility of the individual toward the whole, and encourages initiative and individualistic development as important factors of industrial progress, and especially it has solved the problem of filling the offices with competent and qualified men. Neither the political Government nor any other organization has these characteristics, and it therefore appears the natural and most logical step that the executive and administrative Government of our nation in the co-operative era

which we are now entering should evolve from the industrial corporation.

Such organization is commensal—that is, every member of it gives and receives, and the maintenance and advance of the organization thus is to everybody's interest. It thus should form a stable and permanent form of society, permanent at least as long as the foundation of our civilization endures, as stable as was the classic age or the feudal age of human society, and not self-destructive by its own success, as was the individualistic age. At least, so it appears.

It might be called an aristocratic democracy, using the term aristocratic in its original meaning, that the influence of the individual on society should be proportional to his capacity—democratic; everybody has the same chance, the same right, and there is no discrimination—*égalité;* everybody is free to choose his activity, to develop his individuality—*liberté;* everybody is guaranteed in his standard of living, as a matter of necessity, as otherwise the organization would not be commensal, and could not exist, but the present indifference and antagonism of the "proletarian" would remain —*fraternité.*

But who guarantees that the industrial government remains commensal and that the higher officers do not develop into an oligarchy, a patriciate, or nobility; exclude all individuals from the lower ranks, no matter how competent, from the higher offices, and reserve the offices for their own descendants, no matter how incompetent?

It must be realized that by the law of heredity —which holds for the average, however exceptional an individual may be—the son of the prominent man starts, and always will start, with better chances of success than the son of the poor and uneducated, even if every other condition is the same, no preference given to the former, but both treated entirely on their merits. The law of inheritance, in its broadest sense, means that the offspring of the highly educated, intelligent prominent man has inherited some of his parent's ability, absorbed some more in his early years from his parents, his surroundings, that his education is watched by more qualified parents, thus better directed and more efficient, and thus—if not spoiled by opportunity and becoming a failure, he should be expected to rise farther than the offspring of parents who cannot give him the same oppor-

tunities. Thus, in all fairness, we must expect more of descendants of prominent parents than of obscure parents in the higher ranks.

In some respects this is one of the most consoling features to the masses of people who have not risen; more and more, with the increasing complexity of civilization, it becomes difficult to qualify for higher places in our industrial organism, without starting with a first-class education and a more than average intelligence, and chance for a man, starting from the bottom of the ladder, to rise to great heights thus becomes increasingly less. But this law of inheritance means that while the individual, starting from the depths, may not rise very high, whatever he accomplishes is not lost, but is a gain for his offspring; they start from a higher plane than he did, and thus will rise higher, and if we abandon the narrow and selfish viewpoint of considering only our own individual self, it means that everybody, not as individual, but as family, through generations, has the same chance to rise to the highest positions in industrial society.

But, as stated, there is a possibility of abuse of power of higher position, for the benefit of the "ruling" families. An individual, or small

group, could not do this, as it would be wiped out by its inefficiency; but the entire society may well drift into such class government, just as individual corporations have drifted into the control of cliques.

Especially great is this danger with the financial power, as financial power is not inherently constructive, like industrial power. The financial power controlling industrial corporations may be used as one of the greatest constructive organizing forces in bringing about co-operation, but it may be abused as a destructive disorganizing power, and, therefore, it is probable that with the progress of the co-operative industrial organization the industrial administrative powers will more and more come into the foreground, the financial power become less dominating.

Thus such industrial government based on the development of the corporation is not by itself entirely safe against abuse drifting in and destroying its efficiency and thereby endangering its existence.

Thus, there must be an inhibitory power outside of the industrial government; a power not organized for constructive administration and executive work, not capable to do such work nor

permitted to do it, but invested with an absolute veto to stop any action of the industrial senate which is against the public's interest; that is, which is not commensal—a *Tribuniciate.*

The constructive activities of our industrial commonwealth require professional qualifications for their direction, and economic efficiency thus demands an organization which reasonably assures such professional qualifications. There are, however, questions of general policy which have nothing to do with professional qualifications, but where the decision depends on the personal preference, but is dictated by no economic law, and requires no special experience or knowledge. Such would, for instance, be the question whether the increasing efficiency of industrial production should be utilized by increasing the standard of living, or by reducing the time of work, or by both; and this question the unskilled laborer can decide just as efficiently as the corporation president, as it is merely a question of personal preference. Such matters, therefore, must be decided by majority vote of all the citizens, and cannot safely be left to an industrial senate or other professional body without endangering the nation. Of necessity, the viewpoints of men in different positions

differ, and quite frequently the view of the majority of all the citizens would differ from that of the industrial leaders, and if the latter small minority should prevail it would be the end of democracy, the nation would not be self-governing any more in accordance with the wishes of the majority of its citizens, but would be under autocratic rule of a minority, and the only way by which the majority could secure its wishes would be outside of the laws—by revolution—just as it did occur in the great French Revolution, when feudalism had ceased to be commensal.

This has nothing to do with the question whether the view of the intellectual minority is the preferable one; the majority is always right, because it is the majority—that is, if the majority of the people desire a thing, we, as individuals, or as minority, have no right—and no power, in the long run—to set ourselves up as judges and say that we are right and the rest of the world is wrong; we are wrong if we cannot convince the majority of the correctness of our views.

Thus there must be, in a democratic nation, an organization through which the wishes of the majority of the citizens are expressed and

carried out, an organization whereby the nation or any of its sub-groups, such as the municipality, can by majority vote settle the policies under which it desires to live, decide questions such as woman suffrage, decide on war or peace, on imperialism or particularism, decide whether the municipality wishes many civic improvements, though resulting in a high tax-rate, or a low tax-rate and no improvements. All these matters are not professional and industrial, but are questions of policy, of viewpoint, and thus to be settled by majority vote—while the execution of the policy decided upon by such democratic vote would of necessity devolve on the industrial government as the permanent administrative organization.

Such a government, with superior, but general and essentially negative powers, would gradually develop from our present political government, when by the corporate organization of the industries the administrative or constructive government is more and more taken over by the co-operative organization of the industries.

Thus in the natural course of development by evolution, from our present industrial political situation, there should evolve—if not checked by interference—a dual government of

our nation in the co-operative era: a constructive industrial government, developed from the co-operative organization of the industrial corporations; permanent and self-perpetuating, therefore consisting of the men best qualified for the direction of the innumerable different activities of modern civilization.

An inhibitory power, the development of our present political government, elected at frequent intervals by the majority vote of all the citizens, having general supervisory power, the decision on national policies, and the absolute veto, but having no administrative or executive power; but the latter is entirely vested in the positive government, the industrial senate, while the political government with its national and local officers is entirely negative.

Such a dual government, a positive constructive one and a negative, inhibitory one, is not a new idea in the world's history; it has existed once, and has been the most successful and most efficient government the world has ever seen—the government of the Roman Republic. The Roman Senate, with its officers, consuls, prætors, etc., was the positive power, in charge of the executive, administration, and legislation of the republic, and the Senators

were not elected nor appointed, but were the representatives of the various national interests, at that time mainly agricultural and commercial, while now they would be industrial. The people's tribunes represented the negative, inhibitory power; they had the absolute veto and thereby were superior to all other officers. But they had no executive or administrative power. They were the only officials elected by all the people. The inscription on the Roman standards, "S. P. Q. R.," well represented the character of this dual government: "*Senatus Populusque Romanus,*" "The Senate and thus the Roman People."

This government finally failed in the Roman Republic, by the tribuniciate degenerating and the Senate then drifting into selfish interests, as class government. But the tribuniciate failed because the means of communication in those days were insufficient. With the expansion of the republic over larger territory it became impossible for all the citizens to take part in the election of the tribunes, but only the population of the capital could attend the election, and this was rather the least desirable part of the population. Thus the tribunes ceased to be the representatives of all the people, lost their

prestige, and finally their power over the Senate (Gracchus-Sulpicius), and the Senate became the representative of special interest, until finally militarism (Marius) and its natural consequence, Cæsarism (Sulla, Cæsar), ended the republic.

But the foundation laid by this dual republican government carried the state onward by its momentum, long after the republican government had ended, to the dominion of the world, and held for three centuries the entire civilized world in peace and prosperity, until there was nothing left of the classic civilization but a hollow shell which crumbled before the onslaught of the barbarians.

Thus the government of the Roman Republic, the greatest governmental structure which the world has ever seen, was the same in principle as the dual government, of permanent administrative and democratic inhibitory power, toward which we are now drifting.

XV

THE AMERICAN NATION

CO-OPERATIVE industrial organization presupposes racial unity. There can be no co-operation as long as there is racial strife and antagonism within the nation. The American nation was formed—rather is being formed, since it is still in the formation period—by the commingling of the Anglo-Saxon, Teuton, Celt, Slav, and Mediterranean. None of these races is in the majority or even in such a large minority that it could expect to have its character, its viewpoints, habits, and temperament predominate in the resultant race. The white population of the United States to-day probably comprises about 30 to 35 per cent. of Anglo-Saxon origin (English, Scotch, etc.), about 30 per cent. of Teuton origin (German, Dutch, Scandinavian, etc.), 15 per cent. of Celtic origin (Irish), and 20 to 25 per cent. Slav and Mediter-

ranean. Of the latter, the latest immigrants, many are not yet citizens.

The American race thus cannot be Anglo-Saxon, or Teuton, or Irish, or Slav, or Latin, but must have characteristics of all these races, and to talk about "blood is thicker than water," and apply this to "our British cousins," or speak of Germany as "Fatherland," or of our country as a "Greater Ireland," this is not American citizenship, but is racial sectarianism, and as such to be condemned as reprehensible, since it retards the bringing about of the racial unity which is the first and fundamental requirement of a stable nation.

On the other hand, it must be recognized that the Anglo-Saxon, or, more correctly speaking, the English, have an exceptional position in our race, as the original and oldest constituent. While all races contributed in the early colonization of the Atlantic coast, nevertheless the British were so much in the majority that in the Colonial days, and even still in the first part of the nineteenth century the United States were essentially Anglo-Saxon, that is, the citizens of British descent were in the majority. But the great German and Irish immigration of the middle of the nineteenth century and the

tendency of the descendants of the early Colonists toward race suicide changed this, and America is not Anglo-Saxon any more, but is a mixed race in formation. What might have happened if the gates had been closed to immigration early in the nineteenth century, and the non-Anglo-Saxon races kept out, does not concern us now any more; history deals with what is, and not what has been or what might have been; deals with facts, not with sentiments.

The English language has conquered and through it the United States are closely related to England by a common language, common forms of expression and intercommunication, and a common literature, so much so that with many writers it is difficult to say whether they are British or American. In some respects it must, therefore, be regretted that the complete racial unity of the two English-speaking nations has not been preserved, that America has not remained completely of Anglo-Saxon race.

On the other hand, however, it must be realized that it was the *mixed* races which have done the world's work, which have led in all human advance, and it was the vitality given by the mixture of races which has created all great nations. Thus England as a nation was

formed by the mixture of the Norman and the Anglo-Saxon; France by the Celt, Roman, and Frank; far back before history, tradition tells of the creation of the Roman nation by the tri-union of tribes—even the name "tribe" contains the root "three," in memory of this formation of the Roman nation from three branches.

Thus there is no doubt that had it not been for the mixture of the various leading races of the world America would not be what it is to-day. We can easily realize this by reviewing the racial characteristics of the foremost races which contributed to the American union.

The characteristic of the Anglo-Saxon is his great initiative. He is the empire-builder. We only need to think of names like Hastings, Washington, Nelson, Gordon, Rhodes, Kitchener, etc. To him thus is due the push and the energy which have opened up and conquered the New World. We see it in the rapid growth of the English colonies, compared with the slow growth of other nations' colonies. But characteristic of the Anglo-Saxon also is the excessive individualism which handicaps him in co-operation, and co-operation more and more becomes the essential of progress. Thus the

Anglo-Saxons are not prominent as organizers, but rather are likely to be muddlers; the present world's war affords an excellent illustration hereof. Thus the Anglo-Saxon creates and originates, but does not organize what he created.

The Teuton does not have the same initiative as the Anglo-Saxon; he also is an individualist —especially those of the Teuton races who emigrated here, because their individualistic ideas did not conform to the governments under which they had lived in Europe—but the individualistic nature of the Teuton is tempered and controlled to a considerable extent by a collective or co-operative temperament. As the result, the Teutons, by their racial characteristics, are the great organizers. We only need, in the history of our nation, think of a few names as Astor, Goethals, Guggenheim, Harriman, Roosevelt, Schiff, Schuster, Schwab, Strauss, Vanderbilt, Vanderlip, Warburg, Weyerhausser, Rockefeller, Wanamaker, etc.

Characteristic of the Celtic race is the strong collectivistic temperament, associated with an individualistic nature, which specially fits them as administrators. It is the Celt who is most proficient to rule as boss by the consent of the

governed, not as disciplinarian by orders which his subordinates have to obey, but by giving the conception of *primus inter pares*. Thus he has been most successful in politics, while the individualistic Anglo-Saxon necessarily is much less successful in this activity. It is characteristic that America's largest city has been ruled almost uninterruptedly by the Celtic race, and that, in the rare instances where a "reform government" succeeded to carry New York, it was such a failure that it always was wiped out at the next election. Also, look around especially among those corporations which by their close relationship with large numbers of the public require a specially high grade of social sense in their management—public utility corporations—and you find an abnormally large number of Irish names among their leaders.

And how about the contribution to America by the other races, outside of these three leading civilized races of to-day? Do not let us forget that the greatest of all Americans was neither Anglo-Saxon nor Teuton; nay, was not even Aryan, but was of the Turanian race—Abe Lincoln.

The three great races which contributed to the American citizenship of to-day are supple-

mentary, commensal—originator, organizer, administrator—jointly they have made our commonwealth, and any split between them means disaster. The Anglo-Saxon alone, without the co-operation of the Celt and German, may originate, but probably would not accomplish much more than a chaotic muddle—somewhat of this we have seen in the last year in our country. On the other hand, with the Teuton and Celt alone, without the Anglo-Saxon, progress would slow down for lack of initiative.

There really never was a serious racial antagonism in our country. It is true, during the century of immigration the "native" has looked down on the "Dutchy," he then in turn on the "Mike," and again on the "Dago," etc., but only the names were racial, the antagonism was not racial, but that of the previous immigrant toward the lower standard of living of the later comer, who threatened the higher standard of living acquired by the former, and as quickly as the new immigrant acquired the American standard of living and thereby ceased to be a danger in lowering the standard, the antagonism disappeared.

Politically, racial hatred has found an expression only once in our country, in the notorious

Know-Nothing party of a past generation; but, unfortunately, there is at present some danger of a revival of racial antagonism, and this would be a national calamity, as our nation needs the friendly co-operation of all the races which have contributed to the coming American race.

All the nations which are involved in the present world's war have contributed to the immigration which has formed the American citizenship of to-day, and it is natural to expect, however much the immigrants and their descendants have become true Americans, that they should have some sentimental attachment or sympathy for the nation of their forefathers. Indeed, a type of mind which in one or two generations can lose all attachment for his ancestors' nation is not the type of mind from which to build a strong and enduring nation, is not the type of mind which we want here in America; in England, after nearly a thousand years, the Norman and the Anglo-Saxon type are still distinguishable.

Thus it is natural and proper that American citizens of English descent should largely sympathize with England, American citizens of German descent with Germany, American citizens of Irish descent wish England's defeat, etc.

This has nothing to do with their duty as American citizens, with their allegiance first, last, and always, toward America.

Unfortunately, an American expatriate raised the cry of "hyphenate," and an influential press, misguided by business interests, took it up, and finally in the utterances of extremists—among them, unfortunately, some politically very prominent men—it reached the ultra Know-Nothing attitude that "only a citizen of British descent can be a real true American, and anybody not of Anglo-Saxon descent cannot have the type of mind which is required for an American citizen."

With this it became a national menace, for it challenged the right to citizenship of the majority of our nation, as the majority is not Anglo-Saxon any more. Naturally, all political differences, all issues between the various political parties, became secondary in importance before the defense of the right to citizenship of the majority of our present citizens. As seen, it is a very dangerous and very unfortunate political issue, which has been raised thus inadvertently by politicians playing to temporary excitement of racial prejudice.

Such vicious attempts of making political

capital by creating racial hatred within our nation should promptly be squashed by all fair-minded citizens. It is obvious that all Americans—with the exception, perhaps, of the red Indian—are hyphenates; that there are undoubtedly a few—a very few—British-Americans who are more Englishmen than Americans, German-Americans who are more Germans than Americans, etc., but that the overwhelming majority of all the British-Americans, German-Americans, Irish-Americans, etc., are Americans and nothing else.

But some good features the raising of this issue has produced: it has shown the anachronism in many of our conceptions and forms of speech. We have been talking of the native-born Americans "assimilating" the immigrants. There can be no such thing; assimilation implies two parties becoming similar, but implies both changing. Thus the native does not assimilate the immigrant, but native and immigrant assimilate with each other, and the native as well as the immigrant changes, fortunately, for it would be a sad America if we still hanged witches as the Puritan "natives" did, if we still had the Blue Laws and the religious intolerance of the old New-Englanders. Or we may say,

"America assimilates all the immigrants coming to its shores into a new, American nation." But this nation is not like the Puritan, or the Dutchman of New Amsterdam, or the German of '48, but has, more or less, the characteristics of all of these.

Thus, when we speak of America as the melting-pot of the nations we must realize that in melting together different metals the alloy is not like any one of the metals put into the pot, and thus we must not expect that the product coming out of the melting-pot of the nations will be in temperament and characteristic like the British-American, will have the British viewpoint—or that of any other constituent nation—however much this may disappoint us.

Inversely, however, we must realize that the Anglo-Saxon strain is one of the largest in the composition of the American race; that historically, by the previous preponderance of the Anglo-Saxon, it has exerted more influence on the molding of the new nation than any other race, and that, therefore, at least for some time to come, Anglo-Saxon characteristics should be more prominent than those of any other race; but they cannot be predominant.

XVI

THE FUTURE CORPORATION

THE development of a national government by the industrial corporation presupposes that the social functions of the industrial corporation, which are now being developed, have been extended in all corporations and grown to an activity equal in importance and scope, and directed by equally big men, as the technical, administrative, and financial activities of the corporation. It would hardly be safe, even with the control exerted by an inhibitory tribunicial power, to intrust the entire constructive government of our nation to the industrial corporations of to-day, with their very different stages of social development.

For the small individual producer of bygone days there was no social responsibility or duty, but his business was his private property, to carry on in any manner he liked, subordinate only to the national laws. But when the indus-

tries became organized in larger and larger corporations, and, as inevitably must be the case with the continuing industrial development of our nation, industries and groups of industries become essentially controlled by corporations, and the corporation comprises the joint productive activity of many thousands of employees, then a social responsibility, and with it a social duty, arises in the corporation, and the corporation can no more be entirely private property, however much its legal owners may consider it such. In organized society there can be no unrestricted private property in anything which may affect or influence public welfare and public interest. This is, and always has been, the law of every civilized community. Thus with the growth of the corporation, a new relation of mutual responsibility with the public arises. This is fully recognized by all the more progressive and thus more successful corporations, and its recognition is the foundation of the rapidly increasing activities of the corporations in social relation with their employees, with the public at large, with educational systems and institutions, public policy committees, national associations, etc.

Politically, the issue was first raised in the

great coal strike, when the President of the United States forced the contending parties to arbitrate, and since that time the responsibility of the large industrial organizations to the nation has been universally established, has been recognized as a part of our law.

But, unfortunately, there are still a few large and powerful corporations which more or less refuse to recognize their social responsibility to society, which insist that they are private property, responsible to nobody but their stockholders, and attempt in their actions toward the public to carry out this policy. It is these corporations which continuously feed fuel to the public hostility toward corporations, which undo what is being accomplished in establishing better relations between corporations, employees, and public by those corporations who are realizing their social responsibility and living up to it—and which latter thus inversely would gradually bring the public to a realization of its social responsibility toward the corporation as modern industry's most successful embodiment.

Illustrations of this can be seen in the dealing of corporations with the complaints of the public; from corporations which discourage com-

plaints, whether just or unjust, by any means, apparently endeavor to make it as inconvenient and uncomfortable to the complainant as possible, to make him feel like a criminal, and thereby effectively discourage any further complaint. With such corporations nobody who once made a complaint will ever like to make another complaint, but neither will he ever have a good word for the corporation, but can be counted forever after among its enemies.

Then there are powerful utility corporations, which make the complaint department a careful study of their best men, select qualified officers with considerable social sense for handling complaints; they encourage complaints, show the complainant attention, explain to him the why and wherefore, and in nine cases out of ten leave him not merely satisfied, but a friend and defender of the corporation, and they find that this method of dealing with complaints, while it may cost more than merely discouraging complaints by inattention, will pay for itself as one of the most effective means of creating friends for the corporation among the public.

Again, there are corporations, stores, hotels, etc., whose principle in dealing with complaints is that the complainant is always right, their

own employee wrong; it is unfairness in the opposite direction, unjust to their own employees, and often ineffective toward the complainant, who, as a rule, is more satisfied by being given reasons and explanations rather than by being told that the employee will be punished.

The same applies to claims, and to practically every activity in which the corporation comes into contact with the public; we find all kinds of attitudes, from the alleged "the public be d——d," to that of the modern corporation against which no justified hostility could ever have arisen even by the most exacting.

The future success of our country as industrial nation depends on the extent to which co-operation can be developed within the industrial corporation, and between public and corporation. This is realized more and more, and increasing efforts are made to bring about co-operation. Thus, in most modern corporations some work is done to establish co-operation, in some much time and attention are devoted hereto by the highest officials.

Unfortunately, due to the strong individualistic temperament of most corporation leaders, many of these activities are paternalism rather

than true co-operation. Co-operation implies two parties coming together. Thus there may be co-operation between employer and employees, co-operation between the public and the corporation; but co-operation of the employees with the employer in plans devised and introduced by the employer, of the public with the corporation on a basis established solely by the corporation, is a misnomer, and such one-sided attempts of co-operation not infrequently lead to the reverse, to strained relations and antagonism, and that naturally, in a democratic nation, where everybody believes that he knows best what is good for him.

Thus there are instances of corporations, still essentially controlled by one man, who created and originated the business, and who was deeply interested in the welfare of his employees, where extensive social work was done for the employees, often under the immediate personal supervision of the owner of the corporation. Excellent sanitary facilities, recreation-rooms, libraries and reading-rooms, lectures and lecture-rooms, gymnasium and athletic fields, social centers and lounging-rooms, parks and playgrounds, in short, anything that could make the employees happy and contented, were provided

by the corporation, regardless of expense, and quite likely the thanks was a general strike for some petty reason, such as that the towels in the toilet-rooms were washed in a non-union laundry. The consequence naturally was a thorough discouragement of the corporation owner, over the utter lack of appreciation and thanklessness of the employees. But was this justified? Or was not the entire social activity a violation of the fundamental principle of co-operation?—that is, of working together, and based on the conception of the business owner that he knows better what is good for his employees than they know themselves—a conception which, even if it should be true, would necessarily lead to the resentment of those who by implication are given to understand that they do not know what is to their interest, but have to have a guardian.

This is the most serious defect of much of to-day's social work in the corporation; it deals with the things which the employer believes the employees want or should want, but not what they wish, and thus it is tainted, in the opinion of the men, with paternalism and charity.

It is true that the corporation leaders may,

in some respects, know better than their employees what is to the interest of the employees; with the broader view from their position they should know better. But this does not change the situation. So does the political boss in most cases know better what is in the interest of his party than does the individual party member; but still he does not order, but persuades and convinces, otherwise he could not long remain the leader. Now, in our industrial organizations the most important and most beneficial results would be the recognition by all the corporation employees, of the corporation leaders as the leaders in the social activities of the corporation. But this first requires convincing the employees that the social activity of the corporation leaders is in the employees' interests. This is a very difficult problem, in view of the extensive suspicion of employees against any new action of the employer. Unfortunately, quite commonly the difficulty of the problem of establishing social relation is very imperfectly recognized by the corporation leaders; compare the letter written by a corporation to some prominent customer with the notice informing the employees of some social activity introduced by the corporation; the utmost care,

which is taken in the former not to offend any—whether just or unjust—sensitivity of the customer, while in the latter letter often no thought is given to this feature of form, but it is assumed that the employees should be thankful. But it is the corporation which introduces social activities to establish co-operation, as it is the corporation which, from its broader view, sees the necessity of greater co-operation, while the employees do not see it yet, but suspect the new movement as hostile to their interest, and thus need convincing that it is not so, require the same careful consideration which is given to the particular and easily offended customer.

Herein really lies the weak point of our present industrial organization. Thus, where social activities exist, we often have two kinds of associations; both consist of practically the same employees, both are entirely free in the election of their officers, and still entirely different types of men are elected in the two organizations. In the labor unions, "demagogues" and "agitators" may be elected, but in the social organization, the sick-benefit societies, etc., the same men elect as officers good and stable-minded conservative workmen. Often when seeing this, we deceive ourselves about the

"good sense" of the men, that when their own money is concerned, in the benefit society, they do select good officers, even if they allow agitators to run their labor unions. But, helas! when some really serious problem arises, such as jeopardizing their existence by a strike, it is the union officers whom they trust and follow, not the conservative officers of the social organization, the benefit society, etc.

What is the meaning of this? Is it not the feeling underlying in the minds of the men that the labor union is recognized as an employees' association, even by those outside of the union, while the other organizations are considered as "associations of employees by the employers," and as such do not receive the same interest and confidence; and when choosing officers for the latter organizations such men are chosen as the members believe the corporation would like to see chosen?

This is the great problem which has not yet been solved in bringing about co-operation within the corporation; co-operation implies organization, and how can organizations, independent and not managed and controlled by the corporation, be brought about which are accepted as *bona fide* independent organizations of em-

ployees, and not considered as sham organizations and treated as such? A great deal of trial and failure will undoubtedly be necessary to solve this problem. Sometimes an organization, which was treated listlessly and without interest for years, picks up suddenly by some men getting into it, and then gets efficient and recognized as independent.

If co-operation could be established between the corporations and the labor unions, within the limited scope of those activities in which the two organizations' interests are plainly the same, such arrangement would immediately receive the recognition of the employees as truly co-operative. But, unfortunately, in most places the relations between the two organizations are too strained to make such co-operation feasible and safe for the corporation. Furthermore, there is the fundamental difficulty that the labor union is national in scope, and the local organization limited in power and authority, depending on the national body, and it would necessarily be difficult for a corporation to enter into relations with an organization which is not independent.

The same difficulty of bringing about real co-operation exists also between the corporations

and the general public. It is the well-recognized defect of the American business man, which has largely kept American business out of the world's market; disinclination to consider any other viewpoint but his own, failure to consider the foreign customer's peculiarities, habits and wishes, and insistence on the adopted "standard" way of doing business. Within our country, less difficulty is experienced, as producer and customer both have similar habits and methods of business. Trouble is liable to arise only in the dealings between private and public corporations, such as municipalities. The attitude of some private corporations in making their proposition to the municipality in the form they consider as just and proper, and then standing pat and refusing to consider any other arrangement, has led more than once to unnecessary controversies—usually to the disadvantage of the private corporation, as obvious with the present attitude of the public toward the corporation. Especially such is liable to occur with smaller corporations, or smaller branches of large corporations, which cannot have sufficiently broad-minded men at the helm.

The standard attitude of the industrial cor-

poration has been, and largely still is, to avoid publicity, that is, not to give information to the public on the actions, attitude, and intentions of the corporation, their reasons and causes, not to explain and defend; in short, not to make any publicity campaign, but to endeavor to act fairly and justly and business-like, and expect the public to recognize and appreciate this. Probably by this time most of the corporations have been thoroughly disillusioned in this expectation, and a whole class of literary men—and women—have grown up making a comfortable living out of "kicking the corporations." To illustrate: many of those who were in the oil business in the early days, who tried to do the same as Standard Oil did, but did not succeed where Standard Oil succeeded, have been hounding Standard Oil for years, until finally the Government dissolved Standard Oil and "restored competition" by dividing it into thirty-four competing companies, and so reduced the price of gasoline—and if you do not believe the latter, kick yourself, because there is no more a large corporation to hold responsible, as Standard Oil is dissolved. And so throughout the entire field of industrial production, our Government, backed by public opinion, is still "trust-

busting," while all other civilized nations are organizing their industrial production.

But the industrial corporation was to a large extent to blame for the growth of this hostility; it was too self-centered, self-satisfied, appreciated too little the effect of public opinion, the hostility which arises from the use of secretive methods, and the advantage of explaining its actions to the public.

Especially in a rapidly growing democratic nation, it is not reasonable to expect anybody to go to special pains to find out what others do, but everybody, to be judged fairly, must come out before the public and explain his actions and their reason, must be ready to defend himself. This the corporations have not done, and their enemies have done it for them, with the results seen to-day.

In the last years a change has come and more and more corporations appreciate their responsibility of informing the public, and many have done very efficient and very effective work in giving the public a better understanding of the corporation's activity. But while technical and engineering publicity of corporation activity has been fairly effective, the attempts of corporation men to represent to the public the

social and industrial activity of the corporation have often been dismal failures and utterly unconvincing. Most of them were written in the style of the lawyer's brief—that is, giving at length all the favorable features, and suppressing or glossing over the unfavorable ones—and the picture drawn thus is so obviously untrue that it carries no conviction. On the other hand, if a true and fair representation is made of the corporation as modern industry's most efficient tool, as a necessary step in the advance of our civilization, as an organization of human beings and for human beings, but as a structure under the laws of evolution, still imperfect in some respects, open to improvements in others, with weaknesses well recognized but impossible to remedy immediately, because there are not enough men big enough to do it —if this picture is drawn, the writer will certainly find himself quoted by isolated sentences picked out from his statements and put together so as to represent exactly the opposite from what he explained. If he is a corporation man it certainly will be heralded as a conclusive evidence of the badness of the corporation, that even a corporation man has condemned it—and in reality he explained ex-

actly the opposite. But such is modern literary "art," as we find it, from daily newspapers to monthly magazines; it is dishonest and dishonorable to garble quotations, single out individual sentences, and arrange and interpret them so as to make them give the opposite impression from that which the writer intended to convey, but, nevertheless, many writers and editors, who in every other respect are thoroughly honest, would consider it entirely proper by such methods to make somebody apparently express an opinion which he never held.

Thus the situation stands: to explain the corporation by giving only the favorable side, only praise, is ineffectual and unconvincing, because everybody realizes that nothing is perfect. To give a true representation would be convincing to the fair-minded reader, and would quickly dispel the unjustified hostility now existing against the corporation. But it would by quotation, omission, and inference be perverted to give exactly the opposite meaning, and thus is liable to do harm. To say nothing, avoid all publication, as has largely been done heretofore, makes the corporation helpless against the intentional and, what often is much

worse, because more impressive, unintentional misrepresentation.

The only remedy apparent seems to be to entirely throw open the discussion, give information to the fullest extent, and count on the public gradually realizing what is unfair misrepresentation and what is reasonable. Here most effective would be the assistance of those numerous writers who are not connected with corporations nor with the muck-raking crowd, but have retained an attitude of independence and fairness, and therefore are listened to by the fair-minded. And there is within the huge modern industrial corporation a wonderful field of romance and interest, still unknown and untouched by any writer, which in the hands of a Kipling or a Jack London would give most wonderful stories, more interesting and fascinating than any of the tales or novels of bygone ages of the world's history; the creation of prosperous industrial cities in the sandy deserts of the lake shore; the control in the service of man, for power production in the steam-turbine, of the steam jet which issues from the high-pressure steam-boiler at speeds so terrific that, compared with it, the monster shells of the high-power guns which have smashed Europe's

strongest fortifications are crawling with a snail's pace, or the tragic search for years through all the continents and islands of the known and unknown world, for a fiber to make the Edison lamp filament; and when it was found and the discoverer returned, chemistry had in the laboratory created a fiber still superior. The history of the creation of the United States Steel Corporation, if it could be written, probably would be more fascinating and of more human interest than the history of the birth of many a nation.

XVII

CONCLUSION

THE issue in the European war essentially is that between the individualistic era of the past and the co-operative era of the future, and whatever may be the military results of the war, this issue is decided and all civilized nations of Europe have abandoned the individualistic principle of industrial organization, and have organized or are organizing as rapidly as possible a co-operative system of industrial production. Against the vastly higher productive efficiency of industrial co-operation of the European nations after the war, our country's individualistic industrial organization, with everybody fighting against everybody else, industrially, politically, and socially, is hopeless, and America thus will either fail, cease to be one of the world's leading industrial nations, or we must also organize a system of industrial production based on co-operation and not on

competition. That is, we must enter the co-operative era, or fall by the wayside.

America's national temperament is democratic, our methods of organization thus concentral—that is, from the individual units to the central organism—while all the European nations are of monarchical temperament, their methods of organization thus decentral, from a strong central government—political or financial—toward the individual.

Thus we cannot copy, nor even benefit to any extent, from the experience of Europe's reorganization, but must work out our own salvation, on new democratic lines, a problem far greater and more difficult.

The most promising structural element of the future co-operative industrial organization, in our present nation, is the industrial corporation, and on this probably the structure of co-operative industrial society will be built in our democratic nation.

A positive, administrative, and executive industrial government, professionally competent, continuous and permanent, by an industrial senate. A negative tribuniciate, with no executive or administrative power, but with superior inhibitory and supervisory power, re-

sponsible and rapidly responsive to all the citizens of the nation.

Such a co-operative democratic commonwealth would be superior in efficiency to the monarchical co-operative industrial organizations of Europe, just as much as the Roman Republic was superior to all other communities of the classic age.

But the first requirements for the possibility of such co-operative democratic organization are racial, industrial, and political unity. There must be no racial antagonism. The antagonism and fight between the political organizations, nation, State, and municipality and the industrial organizations must cease and an intelligent understanding between the public and the industrial corporations must be established. Most of all, however, the foremost causes of indifference and antagonism of the masses of producers against the producing organizations must be eliminated by an efficient and effective establishment of the right of everybody to live in his accustomed social standard, and the duty to work when capable. It means the recognition as the fundamental principle of civilized society of the first commandment of the Bible, "Where is thy brother?" And the

outlawing, forever, of Cain's answer, "Am I my brother's keeper?"

Political legislation, or industrial organization, or a combination of both, may bring about this social reconstruction, and the rapidly increasing interest, within the corporation, in social activity, promises well in this direction. With this accomplished, and the enormous number of the employees of the industrial corporations thereby attached to the interests of the corporations and ready for the defense of the corporations—just as the millions of the German Social Democracy were by the social legislation attached to the nation and ready for its defense—with this accomplished, quickly the political power would shift and the political government, instead of outlawing and fighting corporate success and business, would be brought into co-operation with the industrial corporation, and from thereon the progress toward democratic co-operative industrial organization would be steady and rapid.

Internationally the co-operative era would bring about material changes: with production controlled, first nationally and then internationally, by the demand for the product, and production for the mere profit of producing

eliminated as uneconomical, much of the international competition for the markets of the world would cease, and with it most of the causes of war. The secondary nations would come within the sphere of influence, under the political and industrial guidance of the world's leading industrial nations. Thus our country's influence would extend over our continent and its territorial waters.

International commerce as a system of competition for profit would cease, but would remain and even extend in dealing with those things which one nation, or one territory, can produce better or more conveniently than another.

But with international competition ended and co-operation established, international war also would become an impossibility as a matter of course, as there would be no causes for war. Thus no international court of justice, no world's congress or international police force, or other such impossibilities would be needed, but war between nations would simply become unthinkable, just as it would be unthinkable to-day, if the heads of two departments within the same corporation disagree about some matter, that the members of the two departments

go out with clubs and pistols to fight out the disagreement.

And how about socialism? As a matter of fact, international industrial co-operation would be so near socialism, would so imperceptibly merge into it, that nobody would ever be able to see where "capitalistic society" ended and the "socialistic commonwealth" began—though it is obvious that this socialistic commonwealth will be as different from the dreams of us socialists of to-day as every accomplished progress always has been from the first crude ideas of its originators.

But suppose we do not succeed in bringing about the racial unity, or the industrial unity, or the political unity, which is required for the co-operative industrial organization of our nation. What then?

Suppose a serious racial antagonism should arise in our nation, as the result of the European war, between the Anglo-Saxon on the one side, and the citizens of German and Celtic descent on the other side; the Anglo-Saxon would probably score at first; by his greater initiative, by his control of much of the political and industrial machinery, he would, by organizing the Slav and Mediterranean, by political, indus-

trial, and social pressure, drive the citizens of Celtic and German descent from power, and practically, if not even legally, disfranchise them. But then, deprived of the organizing ability of the German, the administrative ability of the Celt, and with the Anglo-Saxon's contempt for the "lower" races, very soon the Slav and Mediterranean would rise in political revolt and thus finally the Anglo-Saxon would disappear from our national organism, just as the Aryans, which once created India's ancient civilization, have long disappeared. With the strongly collectivistic temperament of most Slav and Mediterranean nations, and the individualistic races, Anglo-Saxon and Teuton, hostile against each other, probably the collectivistic—that is, monarchical—temperament would get into control of our nation, that is, democracy would cease and a monarchical state supervene; probably a Cæsarism rising on the military machine created by the Anglo-Saxon.

Thus, united we stand, divided we fall, applies racially to our country more than anywhere else.

Fortunately, there is hardly the remotest possibility of such racial antagonism making

headway in our nation, but the attempts of stirring up racial hatred will undoubtedly meet the fate of the former Know-Nothing party.

Granting thus racial unity, what then, if industrial unity cannot be established; if our industrial leaders, our political leaders, fail to grasp the opportunity of insuring the masses of producers against unemployment, sickness, old age, and if indifference, antagonism, and industrial strife remain, or if we fail to realize the immediate importance and urgency of bringing about better relations, and things continue to drift? The corporation would accomplish little, if anything, in industrial reorganization, as it would not be supported from within, its employees, nor from without, the general public. The demand for the political government to step in, which already is strong and general, would naturally increase. The political government—municipal, State, and especially the Federal Government—would take over more and more industrial activities; supervision of the railroads by an interstate commerce commission, extending into control, and finally administration and ownership of the railroads would follow; the same action extend to all other means of communication, as telegraph, tele-

phone, etc. Industrial supervision and control by an interstate trade commission would come, entering more and more into the internal economy, direction, and finally operation and practical ownership of industries. Simultaneous therewith an extended governmental activity in the ownership and operation of canals, reclamation works, mines, steamship lines, shipyards, farms, etc. The final result thus would be an industrial reorganization of our nation by the political government, the Federal Government superseding the industrial corporations.

Necessarily, to accomplish this, the government must be far more permanent, competent, and efficient than our present political government, and commissions, made as competent and permanent as possible, would take over most of the work of industrial control and operation, the direct elective officials mainly acting in supervisory capacity, directing the policies of the commissions. Such organizations, if once created, would probably be as efficient and satisfactory as the industrial government developed from the industrial corporation would be.

However, it would require an entire change of our governmental system, the creation of a strong centralized government, like that of

many European nations, the introduction of decentral methods of dealing with progress and development. This would be possible only by a change of our national temperament from democratic to monarchical—that is, from individualistic to collectivistic.

The general character of the later immigration is, indeed, far more collectivistic than that of the earlier immigration, and thereby there is produced a tendency of the nation toward collectivistic temperament, which is held in check by the influence of the earlier, more individualistic elements, but is growing and would probably gain the more headway, the longer the present chaotic condition persists. This drift may gradually change our national character so as to make the existence of a strong and stable centralized government possible, and thereby a control of the co-operative industrial system by the political government, as it exists, for instance, in Germany.

However, it will be a matter of generations before our national temperament, by collectivistic immigration and elimination of the individualistic strain, has changed sufficiently; and industrial progress and reorganization in the co-operative era is so rapid abroad, that long

before America's national character could have changed so far as to make industrial reorganization by a centralized political government possible, America as an industrial nation would have ceased to exist, in competition with the highly organized and highly efficient co-operative industrial organizations of Europe.

"Thus the time element defeats the possibility of political industrial reorganization of our nation."

But what then will happen to America if we cannot bring about the co-operative industrial reorganization necessary to meet a reconstructed Europe in the new era?

Exportation of industrial products naturally will quickly cease, as with our inefficient individualistic production we cannot meet in the markets of the world the competition of the co-operatively organized nations.

Exportation of raw materials, of agricultural products? Already to-day our excess production of agricultural products, etc., over our home consumption is not great, and is with the increasing population rapidly decreasing, and that while we are still using our natural resources. But with these exhausted in the near future, with our inefficient and crude methods of agri-

culture and production, we soon will have no surplus to export, but need all that we produce to feed our own population. With no industrial products to export, this means, in case of crop failure or other accidents, famine, or importation without equivalent to export—that is, impoverishment of the nation. Thus gradually our present process of increasing in wealth will reverse; we will get poorer, mortgage our country's lands, mines, etc., to foreign capital, and in the future then stands the fate of the Mexico, the India of to-day; a country owned and exploited by foreign capital, for the benefit of foreigners, but with the natives—the descendants of the Americans of to-day—as the exploited. Berlin or London as the financial and industrial center of the world, America as a country of plantations, of mines, and industrial establishments, owned, managed, and directed by foreigners and for foreign profit, with native American peon labor.

Such is fate, such is the law of evolution: there is no standstill; either you swim or sink; either we enter the coming co-operative era of the world's history and take our place as one of the leading industrial nations organized for the highest efficiency possible under co-operative

industrial production, or we fall by the wayside, cease to be one of the world's leading nations, and merely become a field of exploitation, a sphere of European influence, to be parceled out like China.

THE END

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